

Hibiscus Coast Municipality
Financial statements
for the year ended 30 June 2015
Auditor-General

Hibiscus Coast Municipality

Financial Statements for the year ended 30 June 2015

General Information

Legal form of entity	MFMA
Nature of business and principal activities	Local Municipality
Mayor	Cllr NC Mqwebu
Executive committee members	Cllr R Nair (Speaker) Cllr De Wet (Deputy Mayor) Cllr DH Njoko Cllr Rademeyer Cllr NA Madlala Cllr S Maphumulo (Chief Whip) Cllr MT Lubanyana Cllr JS Ngwane Cllr D Rawlins Cllr D Watson
Grading of local authority	Grade 4 High Capacity (KZN216)
Accounting Officer	Sihle Maxwell Mbili
Chief Finance Officer (CFO)	TSP Khuzwayo
Registered office	10 Connor Street Port Shepstone 4240
Business address	10 Connor Street Port Shepstone 4240
Postal address	P.O BOX 5 Port Shepstone 4240
Bankers	Nedbank
Auditors	Auditor-General
Published	August 31 , 2015

Hibiscus Coast Municipality

Financial Statements for the year ended 30 June 2015

Index

Index	Page
Accounting Officer's Responsibilities and Approval	3
Statement of Financial Position	4
Statement of Financial Performance	5
Statement of Changes in Net Assets	6
Cash Flow Statement	7
Statement of Comparison of Budget and Actual Amounts	8 - 9
Appropriation Statement	10 - 11
Accounting Policies	12 - 37
Notes to the Financial Statements	38 - 76
Appendixes:(Unaudited)	
Appendix A: Schedule of External loans	77
Appendix B: Analysis of Property, Plant and Equipment	78
Appendix C: Segmental analysis of Property, Plant and Equipment	84
Appendix D: Segmental Statement of Financial Performance	85
Appendix E(1): Actual versus Budget (Revenue and Expenditure)	87
Appendix E(2): Actual versus Budget (Acquisition of Property, Plant and Equipment)	88

Abbreviations

CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant

Hibiscus Coast Municipality

Financial Statements for the year ended 30 June 2015

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the financial statements and was given unrestricted access to all financial records and related data.

The financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgments and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2016 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The financial statements are prepared on the basis that the municipality is a going concern and that the municipality has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

Although the accounting officer are primarily responsible for the financial affairs of the municipality, they are supported by the municipality's external auditors.

The external auditors are responsible for auditing and reporting on the municipality's financial statements. The financial statements have been examined by the municipality's audit committee and internal auditors.

I certify that the salaries, allowances and benefits of Councilors, loans made to Councilors if any and payments made to Councilors for the loss of office if any as disclosed in notes of these annual financial statements are within the upper limits of the framework envisaged in section 219 of the Constitution, read with the Remuneration of Office Bearers Act and the Minister of Local Government's determination in accordance within this act.

The financial statements, which have been prepared on the going concern basis, were approved by the accounting officer on August 31, 2015 and were signed on its behalf by:

Sihle Maxwell Mbili
Municipal Manager

Hibiscus Coast Municipality

Financial Statements for the year ended 30 June 2015

Statement of Financial Position as at 30 June 2015

Figures in Rand	Note(s)	2015	2014
Assets			
Current Assets			
Long-term receivables	8	898,443	1,271,921
Inventories	10	2,542,561	3,137,502
Receivables from non-exchange transactions	11	61,199,008	53,197,286
VAT receivable	12	18,122,867	7,683,631
Receivables from exchange transactions	13	123,825,196	122,605,473
Cash and cash equivalents	14	91,828,756	150,715,421
		298,416,831	338,611,234
Non-Current Assets			
Investment property	4	236,000,695	246,031,478
Property, plant and equipment	5	992,519,471	972,819,512
Intangible assets	6	402,715	540,653
Heritage assets	7	1,654,951	1,657,452
Long-term receivables	8	8,237,153	8,762,119
		1,238,814,985	1,229,811,214
Total Assets		1,537,231,816	1,568,422,448
Liabilities			
Current Liabilities			
Long-term liabilities	18	6,739,934	6,373,764
Payables from exchange transactions	20	112,236,137	116,557,432
Consumer deposits	21	20,273,631	19,328,881
Post retirement health care benefits liability	9	2,571,000	2,640,000
Unspent conditional grants and receipts	17	14,644,327	8,089,099
Provisions	19	30,454,809	26,748,000
Long service awards benefits liability	9	1,592,000	1,617,000
		188,511,838	181,354,176
Non-Current Liabilities			
Long-term liabilities	18	34,655,437	40,710,492
Post retirement health care benefits liability	9	69,205,000	58,878,000
Long service awards benefits liability	9	11,049,000	14,305,000
		114,909,437	113,893,492
Total Liabilities		303,421,275	295,247,668
Net Assets		1,233,810,541	1,273,174,780
Reserves			
Revaluation reserve		394,498,479	394,498,479
Accumulated surplus		839,312,062	878,676,301
Total Net Assets		1,233,810,541	1,273,174,780

Hibiscus Coast Municipality

Financial Statements for the year ended 30 June 2015

Statement of Financial Performance

Figures in Rand	Note(s)	2015	2014
Revenue			
Revenue from exchange transactions			
Service charges	25	136,038,622	127,014,572
Rental of facilities and equipment		2,673,069	2,309,352
Interest received -Outstanding consumer debtors		7,670,684	9,381,701
Agency services		4,341,233	4,321,479
Licences and permits		4,896,625	5,510,732
Other income	28	30,829,432	16,521,372
Interest received - investment	33	3,783,405	5,503,599
Total revenue from exchange transactions		190,233,070	170,562,807
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	24	290,833,328	278,498,313
Transfer revenue			
Government grants & subsidies	26	180,463,322	169,190,674
Fines, penalties and forfeits	27	29,872,986	38,009,367
Total revenue from non-exchange transactions		501,169,636	485,698,354
Total revenue	23	691,402,706	656,261,161
Expenditure			
Employee related costs	30	289,557,607	279,814,308
Remuneration of councilors	31	19,370,975	17,836,788
Depreciation and amortisation	35	57,887,169	55,392,335
Impairment loss	36	14,757,135	214,017
Finance costs	37	5,262,125	5,909,704
Debt Impairment	32	3,357,927	1,926,289
Collection costs		816,640	250,741
Repairs and maintenance		54,308,372	36,609,437
Bulk purchases	39	71,818,570	67,662,468
Contracted services	38	28,639,545	27,420,690
Transfers and Subsidies		5,868,248	5,777,196
Cost of housing sold		1,015,191	-
General expenses	29	165,459,930	149,578,437
Total expenditure		718,119,434	648,392,410
Operating (deficit) surplus		(26,716,728)	7,868,751
(Write down) reversal of inventory write down		-	70,151
Fair value adjustments	4&34	(10,030,783)	1,201,146
Loss/(Gain) on sale of property plant and equipment	5	(712,669)	1,264,106
		(10,743,452)	2,535,403
(Deficit) surplus for the year		(37,460,180)	10,404,154

Hibiscus Coast Municipality

Financial Statements for the year ended 30 June 2015

Statement of Changes in Net Assets

Figures in Rand	Revaluation reserve	Accumulated surplus	Total net assets
Balance at 01 July 2013	395,427,206	886,843,217	1,282,270,423
Changes in net assets			
Surplus for the year	-	10,404,152	10,404,152
Change in estimate PPE	-	(34,207)	(34,207)
Offsetting of depreciation	(928,727)	928,727	-
Total changes	(928,727)	11,298,672	10,369,945
Opening balance as previously reported	394,498,479	898,141,884	1,292,640,363
Adjustments			
Change in accounting policy (Note 2)	-	426,950	426,950
Prior year adjustments	-	(19,892,533)	(19,892,533)
Balance at 01 July 2014 as restated*	394,498,479	878,676,301	1,273,174,780
Changes in net assets			
Surplus for the year	-	(37,460,179)	(37,460,179)
Inventory and debtors adjustments	-	(1,904,060)	(1,904,060)
Total changes	-	(39,364,239)	(39,364,239)
Balance at 30 June 2015	394,498,479	839,312,062	1,233,810,541

Hibiscus Coast Municipality

Financial Statements for the year ended 30 June 2015

Cash Flow Statement

Figures in Rand	Note(s)	2015	2014
Cash flows from operating activities			
Receipts			
Taxation		287,748,113	278,658,812
Sale of goods and services		106,123,020	171,806,804
Grants		171,822,824	169,206,694
Interest income		3,783,405	5,503,599
Interest received- Outstanding consumer debtors		7,670,684	9,381,701
		<u>577,148,046</u>	<u>634,557,610</u>
Payments			
Employee costs		(289,557,607)	(279,814,308)
Suppliers		(253,247,263)	(265,399,745)
Finance costs		(5,262,125)	(5,909,704)
		<u>(548,066,995)</u>	<u>(551,123,757)</u>
Net cash flows from operating activities	40	29,081,051	83,433,853
Cash flows from investing activities			
Purchase of property, plant and equipment	5	(79,800,314)	(78,720,590)
Proceeds from sale of property, plant and equipment	5	1,651,665	-
Changes in property plant and equipment	4&5	(4,105,175)	-
Purchase of other intangible assets	6	-	(1,602)
Purchases of heritage assets	7	-	(98,893)
Movements in other financial assets		-	1,359,957
		<u>(82,253,824)</u>	<u>(77,461,128)</u>
Net cash flows from investing activities		(82,253,824)	(77,461,128)
Cash flows from financing activities			
Repayment of long-term liabilities		(5,688,885)	(5,879,340)
Movement in other liability		(25,000)	498,000
		<u>(5,713,885)</u>	<u>(5,381,340)</u>
Net cash flows from financing activities		(5,713,885)	(5,381,340)
Net increase/(decrease) in cash and cash equivalents		(58,886,658)	591,385
Cash and cash equivalents at the beginning of the year		150,715,421	150,124,126
Cash and cash equivalents at the end of the year	14	91,828,759	150,715,422

Hibiscus Coast Municipality

Financial Statements for the year ended 30 June 2015

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	151,968,012	-	151,968,012	136,038,622	(15,929,390)	53
Rental of facilities and equipment	3,299,208	-	3,299,208	2,673,069	(626,139)	53
Interest received	10,056,781	-	10,056,781	7,670,684	(2,386,097)	53
Agency services	4,558,000	-	4,558,000	4,341,233	(216,767)	53
Licences and permits	6,784,558	-	6,784,558	4,896,625	(1,887,933)	53
Other income	21,560,495	-	21,560,495	30,829,432	9,268,937	53
Interest received - investment	5,856,122	-	5,856,122	3,783,405	(2,072,717)	53
Total revenue from exchange transactions	204,083,176	-	204,083,176	190,233,070	(13,850,106)	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	309,629,701	-	309,629,701	290,833,328	(18,796,373)	53
Property rates - penalties imposed	136,534	-	136,534	-	(136,534)	53
Transfer revenue						
Government grants & subsidies	179,546,000	-	179,546,000	180,463,322	917,322	53
Fines	11,633,333	-	11,633,333	29,872,986	18,239,653	53
Total revenue from non-exchange transactions	500,945,568	-	500,945,568	501,169,636	224,068	
Total revenue	705,028,744	-	705,028,744	691,402,706	(13,626,038)	
Expenditure						
Personnel	(274,899,880)	(41,055,000)	(315,954,880)	(289,557,607)	26,397,273	53
Remuneration of councillors	(17,581,696)	(2,068,000)	(19,649,696)	(19,370,975)	278,721	53
Depreciation and amortisation	(53,358,230)	(4,702,000)	(58,060,230)	(57,887,169)	173,061	53
Impairment loss/ Reversal of impairments	-	-	-	(14,757,135)	(14,757,135)	53
Finance costs	(5,000,000)	(2,116,000)	(7,116,000)	(5,262,125)	1,853,875	53
Bad debts written off	(2,000,000)	(529,000)	(2,529,000)	(3,357,927)	(828,927)	53
Collection costs	-	-	-	(816,640)	(816,640)	
Repairs and maintenance	(53,358,230)	(3,737,000)	(57,095,230)	(54,308,372)	2,786,858	53
Bulk purchases	(69,588,568)	-	(69,588,568)	(71,818,570)	(2,230,002)	53
Contracted Services	(26,386,373)	(8,637,000)	(35,023,373)	(28,639,545)	6,383,828	53
Transfers and Subsidies	(5,400,975)	(506,000)	(5,906,975)	(5,868,248)	38,727	53
Cost of housing sold	-	-	-	(1,015,191)	(1,015,191)	
General Expenses	(197,454,792)	(50,132,000)	(247,586,792)	(165,459,929)	82,126,863	53
Total expenditure	(705,028,744)	(113,482,000)	(818,510,744)	(718,119,433)	100,391,311	
Operating deficit	-	(113,482,000)	(113,482,000)	(26,716,727)	86,765,273	
Fair value adjustments	-	-	-	(10,030,783)	(10,030,783)	53
Loss on non-current assets held for sale or disposal groups	-	-	-	(712,669)	(712,669)	53
	-	-	-	(10,743,452)	(10,743,452)	

Hibiscus Coast Municipality

Financial Statements for the year ended 30 June 2015

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Deficit before taxation	-	(113,482,000)	(113,482,000)	(37,460,179)	76,021,821	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	-	(113,482,000)	(113,482,000)	(37,460,179)	76,021,821	

Hibiscus Coast Municipality

Financial Statements for the year ended 30 June 2015

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
2015											
Financial Performance											
Property rates	309,629,701	-	309,629,701	-		309,629,701	290,833,328		(18,796,373)	94 %	94 %
Service charges	151,967,992	-	151,967,992	-		151,967,992	136,038,622		(15,929,370)	90 %	90 %
Investment revenue	5,856,122	-	5,856,122	-		5,856,122	3,783,405		(2,072,717)	65 %	65 %
Transfers recognised - operational	179,546,000	-	179,546,000	-		179,546,000	135,289,697		(44,256,303)	75 %	75 %
Other own revenue	58,029,000	-	58,029,000	-		58,029,000	50,411,043		(7,617,957)	87 %	87 %
Total revenue (excluding capital transfers and contributions)	705,028,815	-	705,028,815	-		705,028,815	616,356,095		(88,672,720)	87 %	87 %
Employee costs	(274,899,880)	(41,055,000)	(315,954,880)	-	-	(315,954,880)	(289,557,607)	-	26,397,273	92 %	105 %
Remuneration of councillors	(15,581,696)	(2,068,000)	(17,649,696)	-	-	(17,649,696)	(19,370,975)	-	(1,721,279)	110 %	124 %
Debt impairment	(2,000,000)	(529,000)	(2,529,000)			(2,529,000)	(3,357,927)	-	(828,927)	133 %	168 %
Depreciation and asset impairment	(51,346,614)	(4,702,000)	(56,048,614)			(56,048,614)	(72,644,304)	-	(16,595,690)	130 %	141 %
Finance charges	(5,000,000)	(2,116,000)	(7,116,000)	-	-	(7,116,000)	(5,262,125)	-	1,853,875	74 %	105 %
Materials and bulk purchases	(69,588,568)	-	(69,588,568)	-	-	(69,588,568)	(71,818,570)	-	(2,230,002)	103 %	103 %
Transfers and grants	(5,400,975)	(507,000)	(5,907,975)	-	-	(5,907,975)	(5,868,248)	-	39,727	99 %	109 %
Other expenditure	(281,211,082)	(62,505,000)	(343,716,082)	-	-	(343,716,082)	(260,983,129)	-	82,732,953	76 %	93 %
Total expenditure	(705,028,815)	(113,482,000)	(818,510,815)	-	-	(818,510,815)	(728,862,885)	-	89,647,930	89 %	103 %
Surplus/(Deficit)	-	(113,482,000)	(113,482,000)	-		(113,482,000)	(112,506,790)		975,210	99 %	DIV/0 %
Surplus/(Deficit) for the year	-	(113,482,000)	(113,482,000)	-		(113,482,000)	(112,506,790)		975,210	99 %	DIV/0 %

Hibiscus Coast Municipality

Financial Statements for the year ended 30 June 2015

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Capital expenditure and funds sources											
Total capital expenditure	100,630,247	8,841,000	109,471,247	-		109,471,247	79,154,267		(30,316,980)	72 %	79 %
Sources of capital funds											
Transfers recognised - capital	58,413,827	-	58,413,827	-		58,413,827	-		(58,413,827)	- %	- %
Internally generated funds	42,216,420	8,841,000	51,057,420	-		51,057,420	-		(51,057,420)	- %	- %
Total sources of capital funds	100,630,247	8,841,000	109,471,247	-		109,471,247	-		(109,471,247)	- %	- %

Hibiscus Coast Municipality

Financial Statements for the year ended 30 June 2015

Accounting Policies

1. Presentation of Financial Statements

The financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these financial statements, are disclosed below.

These accounting policies are consistent with the previous period.

1.1 Presentation currency

These financial statements are presented in South African Rand, which is the functional currency of the municipality.

1.2 Going concern assumption

These financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months.

1.3 Significant judgements and sources of estimation uncertainty

In the application of the municipality's accounting policies, which are described below, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

These estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgements and estimations that management have made in the process of applying the municipality's accounting policies and that have the most significant effect on the amounts recognised in the Annual Financial Statements.

Trade receivables

The municipality assesses its trade receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the surplus makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The calculation in respect of the impairment of Trade receivables is based on an assessment of the extent to which Trade receivables have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This is performed per service-identifiable categories across all classes of Trade receivables.

Fair value estimation

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the municipality is the current bid price.

Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The municipality uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the end of the reporting period.

Impairment testing

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred for each group of assets.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 19 - Provisions.

Useful lives of property ,plant and equipment

The municipality's management determines the estimated useful lives and related depreciation charges for the property ,plant and equipment. This estimate is based on industry norm. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

Post retirement benefits

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the municipality considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 9.

Allowance for doubtful debts

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

Budget Information

Deviations between budget and actual amounts are regarded as material differences when a 10% deviation exists. All material differences are explained in the relevant notes to the annual financial statements

1.4 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Hibiscus Coast Municipality

Financial Statements for the year ended 30 June 2015

Accounting Policies

1.4 Investment property (continued)

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Fair value

Subsequent to initial measurement investment property is measured at fair value.

The fair value of investment property reflects market conditions at the reporting date.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

If the entity determines that the fair value of an investment property under construction is not reliably determinable but expects the fair value of the property to be reliably measurable when construction is complete, it measures that investment property under construction at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier). If the entity determines that the fair value of an investment property (other than an investment property under construction) is not reliably determinable on a continuing basis, the entity measures that investment property using the cost model (as per the accounting policy on Property, plant and equipment). The residual value of the investment property is then assumed to be zero. The entity applies the cost model (as per the accounting policy on Property, plant and equipment) until disposal of the investment property.

Once the entity becomes able to measure reliably the fair value of an investment property under construction that has previously been measured at cost, it measures that property at its fair value. Once construction of that property is complete, it is presumed that fair value can be measured reliably. If this is not the case, the property is accounted for using the cost model in accordance with the accounting policy on Property, plant and equipment.

1.5 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Accounting Policies

1.5 Property, plant and equipment (continued)

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses except for land and buildings which are carried at revalued amount being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount.

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings as the asset is used. The amount transferred is equal to the difference between depreciation based on the revalued carrying amount and depreciation based on the original cost of the asset.

Property, plant and equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited in revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The useful lives of items of property, plant and equipment have been assessed as follows:

Asset Class	Average useful life
Infrastructure	
• Roads and paving	5-30 years
• Electricity	10-30 years
• Solid waste and disposal	10-30 years
Community Assets	
• Recreational facilities	20-30 years
• Buildings and other structures	20-30 years
• Improvements	20-30 years

Accounting Policies

1.5 Property, plant and equipment (continued)

Land and buildings

- Dwellings 10-30 years
- Non-residential dwellings 10-30 years

Other Assets

- Bins and containers 5-10 years
- Computers and office equipment 4-5 years
- Furniture and fittings 5-10 years
- General motor vehicles 4-5 years
- Specialised motor vehicles 15-20 years
- Plant and equipment 1-15 years
- Security measures 4-5 years

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. These assets are not accounted for as non-current assets held for sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

1.6 Site restoration and dismantling cost

The municipality has an obligation to dismantle, remove and restore items of property, plant and equipment. Such obligations are referred to as 'decommissioning, restoration and similar liabilities'. The cost of an item of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an municipality incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

If the related asset is measured using the cost model:

- (a) subject to (b), changes in the liability are added to, or deducted from, the cost of the related asset in the current period;
- (b) if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and
- (c) if the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount or recoverable service amount, and any impairment loss is recognised in accordance with the accounting policy on impairment of cash-generating assets and/or impairment of non-cash-generating assets.

Accounting Policies

1.6 Site restoration and dismantling cost (continued)

If the related asset is measured using the revaluation model:

- (a) changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
 - a decrease in the liability (subject to (b)) is credited to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit
 - an increase in the liability is recognised in surplus or deficit, except that it is debited to the revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.
- (b) in the event that a decrease in the liability exceeds the carrying amount that would have been recognised had the asset been carried under the cost model, the excess is recognised immediately in surplus or deficit; and
- (c) a change in the liability is an indication that the asset may have to be revalued in order to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. Any such revaluation is taken into account in determining the amounts to be taken to surplus or deficit or net assets under (a). If a revaluation is necessary, all assets of that class are revalued.

1.7 Intangible assets

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

The municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Useful life
Computer software, other	5 years
Servitudes	Indefinite

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

Accounting Policies

1.7 Intangible assets (continued)

The gain or loss is the difference between the net disposal proceeds, if any, and the carrying amount. It is recognised in surplus or deficit when the asset is derecognised.

1.8 Heritage assets

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

Recognition

The municipality recognises a heritage asset as an asset if it is probable that future economic benefits or service potential associated with the asset will flow to the municipality, and the cost or fair value of the asset can be measured reliably. Where the municipality holds a heritage asset, but on initial recognition, it does not meet the recognition criteria because it cannot be reliably measured, information on such heritage asset is disclosed in the note on heritage assets.

Initial measurement

Heritage assets are measured at cost.

Where a heritage asset is acquired through a non-exchange transaction, its cost is measured at its fair value as at the date of acquisition.

Subsequent measurement

After recognition as an asset, a class of heritage assets is carried at its cost less any accumulated impairment losses.

Impairment

The municipality assesses at each reporting date whether there is an indication that it may be impaired. If any such indication exists, the municipality estimates the recoverable amount or the recoverable service amount of the heritage asset.

Transfers

Transfers from heritage assets are only made when the particular asset no longer meets the definition of a heritage asset.

Transfers to heritage assets are only made when the asset meets the definition of a heritage asset.

Derecognition

The municipality derecognises heritage asset on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a heritage asset is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the heritage asset. Such difference is recognised in surplus or deficit when the heritage asset is derecognised.

1.9 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one municipality and a financial liability or a residual interest of another municipality.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

A concessionary loan is a loan granted to or received by the municipality on terms that are not market related.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Hibiscus Coast Municipality

Financial Statements for the year ended 30 June 2015

Accounting Policies

1.9 Financial instruments (continued)

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Derecognition is the removal of a previously recognised financial asset or financial liability from an municipality's statement of financial position.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

A financial asset is:

- cash;
- a residual interest of another municipality; or
- a contractual right to:
 - receive cash or another financial asset from another municipality; or
 - exchange financial assets or financial liabilities with another municipality under conditions that are potentially favourable to the municipality.

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another municipality; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the municipality.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by the municipality in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the municipality had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the municipality designates at fair value at initial recognition; or
- are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Financial instruments at fair value comprise financial assets or financial liabilities that are:

- derivatives;
- combined instruments that are designated at fair value;

Accounting Policies

1.9 Financial instruments (continued)

- instruments held for trading. A financial instrument is held for trading if:
 - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
 - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
 - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
 - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

Classification

The municipality has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Type of Financial Asset

Receivables from Exchange Transactions
Receivables from Non-exchange Transactions
Bank, Cash and Cash Equivalents : Call Deposits
Bank, Cash and Cash Equivalents: Bank
Bank, Cash and Cash Equivalents: Cash
Short-term Portion of Long-term Debtors
Long-term Debtors

Classification in terms of GRAP 104

Financial Asset at Amortised Cost
Financial Asset at Amortised Cost
Financial Asset at Amortised Cost
Financial Asset at Amortised Cost
Financial Asset at Amortised Cost
Financial Asset at Amortised Cost
Financial Asset at Amortised Cost

The municipality has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Type of Financial Liabilities

Long-term Liabilities
Payables from Exchange Transactions
Payables from Non-exchange Transactions
Current Portion of Long-term liabilities

Classification in terms of GRAP 104

Financial Liability at Amortised Cost
Financial Liability at Amortised Cost
Financial Liability at Amortised Cost
Financial Liability at Amortised Cost

Initial recognition

The municipality recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

The municipality recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

The municipality measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The municipality first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the municipality analyses a concessionary loan into its component parts and accounts for each component separately. The municipality accounts for that part of a concessionary loan that is:

- a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
- non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.

Subsequent measurement of financial assets and financial liabilities

The municipality measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at amortised cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

Hibiscus Coast Municipality

Financial Statements for the year ended 30 June 2015

Accounting Policies

1.9 Financial instruments (continued)

Impairment and uncollectibility of financial assets

The municipality assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly OR through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly OR by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Derecognition

Accounting Policies

1.9 Financial instruments (continued)

Financial assets

The municipality derecognises a financial asset only when:

- the municipality transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the municipality, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the municipality :
 - derecognise the asset; and
 - recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

If the municipality transfers a financial asset in a transfer that qualifies for derecognition in its entirety and retains the right to service the financial asset for a fee, it recognise either a servicing asset or a servicing liability for that servicing contract. If the fee to be received is not expected to compensate the entity adequately for performing the servicing, a servicing liability for the servicing obligation is recognised at its fair value. If the fee to be received is expected to be more than adequate compensation for the servicing, a servicing asset is recognised for the servicing right at an amount determined on the basis of an allocation of the carrying amount of the larger financial asset.

If, as a result of a transfer, a financial asset is derecognised in its entirety but the transfer results in the entity obtaining a new financial asset or assuming a new financial liability, or a servicing liability, the entity recognise the new financial asset, financial liability or servicing liability at fair value.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

If the transferred asset is part of a larger financial asset and the part transferred qualifies for derecognition in its entirety, the previous carrying amount of the larger financial asset is allocated between the part that continues to be recognised and the part that is derecognised, based on the relative fair values of those parts, on the date of the transfer. For this purpose, a retained servicing asset is treated as a part that continues to be recognised. The difference between the carrying amount allocated to the part derecognised and the sum of the consideration received for the part derecognised is recognised in surplus or deficit.

If a transfer does not result in derecognition because the municipality has retained substantially all the risks and rewards of ownership of the transferred asset, the municipality continue to recognise the transferred asset in its entirety and recognise a financial liability for the consideration received. In subsequent periods, the municipality recognises any revenue on the transferred asset and any expense incurred on the financial liability. Neither the asset, and the associated liability nor the revenue, and the associated expenses are offset.

Financial liabilities

The municipality removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another municipality by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

Trade and other receivables

Hibiscus Coast Municipality

Financial Statements for the year ended 30 June 2015

Accounting Policies

1.9 Financial instruments (continued)

Long-term and short-term trade receivables are initially recognised at fair value, and are subsequently measured at amortised cost method, less provision for impairment. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year end in detail. The recoverability of debt owing by each debtor in the top 40% is assessed and irrecoverable amount is provided for. The remaining 60% of debtors is classified based on category and area. Each classification is analysed and based on the circumstances, the recoverability is determined and the irrecoverable amounts are provided for. No provision is calculated for government debts and property rates as these cannot be written off.

An impairment of trade receivables is accounted for by reducing the carrying amount of trade receivables and the amount of the loss is recognised in the Statement of financial performance within operating expenses.

Trade and other payables

Trade payables (Including consumer deposits) are initially measured at fair value, and are subsequently measured at amortised cost using the effective interest rate method.

Liabilities for annual leave (accrued leave pay) are recognised as they accrue to employees and is based on the value of the accrued leave credits as at 30 June.

Cash and cash equivalents

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash, that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value.

For the purpose of the Cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts.

1.10 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in statement of financial performance.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Any contingent rents are expensed in the period in which they are incurred.

Hibiscus Coast Municipality

Financial Statements for the year ended 30 June 2015

Accounting Policies

1.11 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.12 Impairment of cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:

- (a) the period of time over which an asset is expected to be used by the municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

Accounting Policies

1.12 Impairment of cash-generating assets (continued)

Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also test a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

Basis for estimates of future cash flows

In measuring value in use the municipality:

- base cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the asset. Greater weight is given to external evidence;
- base cash flow projections on the most recent approved financial budgets/forecasts, but excludes any estimated future cash inflows or outflows expected to arise from future restructuring's or from improving or enhancing the asset's performance. Projections based on these budgets/forecasts covers a maximum period of five years, unless a longer period can be justified; and
- estimate cash flow projections beyond the period covered by the most recent budgets/forecasts by extrapolating the projections based on the budgets/forecasts using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. This growth rate does not exceed the long-term average growth rate for the products, industries, or country or countries in which the entity operates, or for the market in which the asset is used, unless a higher rate can be justified.

Composition of estimates of future cash flows

Estimates of future cash flows include:

- projections of cash inflows from the continuing use of the asset;
- projections of cash outflows that are necessarily incurred to generate the cash inflows from continuing use of the asset (including cash outflows to prepare the asset for use) and can be directly attributed, or allocated on a reasonable and consistent basis, to the asset; and
- net cash flows, if any, to be received (or paid) for the disposal of the asset at the end of its useful life.

Estimates of future cash flows exclude:

- cash inflows or outflows from financing activities; and
- income tax receipts or payments.

The estimate of net cash flows to be received (or paid) for the disposal of an asset at the end of its useful life is the amount that the municipality expects to obtain from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the estimated costs of disposal.

Discount rate

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

Recognition and measurement (individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

Hibiscus Coast Municipality

Financial Statements for the year ended 30 June 2015

Accounting Policies

1.12 Impairment of cash-generating assets (continued)

An impairment loss is recognised immediately in surplus or deficit.

When the amount estimated for an impairment loss is greater than the carrying amount of the cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standard of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Cash-generating units

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the municipality use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

Accounting Policies

1.12 Impairment of cash-generating assets (continued)

Reversal of impairment loss

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

1.13 Impairment of non-cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Non-cash-generating assets are assets other than cash-generating assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Hibiscus Coast Municipality

Financial Statements for the year ended 30 June 2015

Accounting Policies

1.13 Impairment of non-cash-generating assets (continued)

Useful life is either:

- (a) the period of time over which an asset is expected to be used by the municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the entity also test a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in use

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standards of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Reversal of an impairment loss

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

1.14 Employee benefits

Employee benefits are all forms of consideration given by the municipality in exchange for service rendered by employees.

Accounting Policies

1.14 Employee benefits (continued)

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the entity during a reporting period, the entity recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the municipality recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The municipality measure the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The entity recognise the expected cost of bonus, incentive and performance related payments when the municipality has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which the municipality provides post-employment benefits for one or more employees.

Multi-employer plans are defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that pool the assets contributed by various entities that are not under common control and use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees concerned.

Hibiscus Coast Municipality

Financial Statements for the year ended 30 June 2015

Accounting Policies

1.14 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the municipality recognise actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

Assets held by a long-term employee benefit fund are assets (other than non-transferable financial instruments issued by the reporting municipality) that are held by the municipality (a fund) that is legally separate from the reporting municipality and exists solely to pay or fund employee benefits and are available to be used only to pay or fund employee benefits, are not available to the reporting municipality's own creditors (even in liquidation), and cannot be returned to the reporting municipality, unless either:

- the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting municipality; or
- the assets are returned to the reporting municipality to reimburse it for employee benefits already paid.

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Interest cost is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.

Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (when benefits are introduced or changed so that the present value of the defined benefit obligation increases) or negative (when existing benefits are changed so that the present value of the defined benefit obligation decreases). In measuring its defined benefit liability the entity recognise past service cost as an expense in the reporting period in which the plan is amended.

Plan assets comprise assets held by a long-term employee benefit fund and qualifying insurance policies.

The present value of a defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

The return on plan assets is interest, dividends or similar distributions and other revenue derived from the plan assets, together with realised and unrealised gains or losses on the plan assets, less any costs of administering the plan (other than those included in the actuarial assumptions used to measure the defined benefit obligation) and less any tax payable by the plan itself.

The entity account not only for its legal obligation under the formal terms of a defined benefit plan, but also for any constructive obligation that arises from the municipality's informal practices. Informal practices give rise to a constructive obligation where the municipality has no realistic alternative but to pay employee benefits. An example of a constructive obligation is where a change in the municipality's informal practices would cause unacceptable damage to its relationship with employees.

The amount recognised as a defined benefit liability is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- plus any liability that may arise as a result of a minimum funding requirement

The amount determined as a defined benefit liability may be negative (an asset). The municipality measure the resulting asset at the lower of:

- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

Any adjustments arising from the limit above is recognised in surplus or deficit.

Hibiscus Coast Municipality

Financial Statements for the year ended 30 June 2015

Accounting Policies

1.14 Employee benefits (continued)

The municipality determine the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the financial statements do not differ materially from the amounts that would be determined at the reporting date.

The municipality recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

The municipality uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost. The Projected Unit Credit Method (sometimes known as the accrued benefit method pro-rated on service or as the benefit/years of service method) sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, the municipality shall attribute benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, the municipality shall attribute benefit on a straight-line basis from:

- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. The results of the valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the reporting date.

The municipality recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:

- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

Before determining the effect of a curtailment or settlement, the municipality re-measure the obligation (and the related plan assets, if any) using current actuarial assumptions (including current market interest rates and other current market prices).

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is [OR is not] presented as the net of the amount recognised for a reimbursement.

The municipality offsets an asset relating to one plan against a liability relating to another plan when the municipality has a legally enforceable right to use a surplus in one plan to settle obligations under the other plan and intends either to settle the obligations on a net basis, or to realise the surplus in one plan and settle its obligation under the other plan simultaneously.

Accounting Policies

1.14 Employee benefits (continued)

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

Post-employment benefit obligations are measured on a basis that reflects:

- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
 - those changes were enacted before the reporting date; or
 - past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

1.15 Provisions and contingencies

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficits.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 42.

The municipality has an obligation to rehabilitate its landfill site in terms of licence stipulations. A provision was established from 2007/08. The amount of the provision is recognised at the present value of the expenditure expected to be required to settle the obligation and is carried at amortised cost.

1.16 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

Hibiscus Coast Municipality

Financial Statements for the year ended 30 June 2015

Accounting Policies

1.16 Revenue from exchange transactions (continued)

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Interest

Interest earned on investments is recognised on a time proportionate basis that takes into account the effective yield on the investments. Interest earned on outstanding debtors is recognised on a time proportionate basis.

Service charges

Service charges relating to electricity are based on consumption. Waste removal is based on the size of the bin and the number of times it is collected. Meters are read and billed on a monthly basis and revenue is recognised when invoiced. Estimates of consumption are made monthly when meter readings have not been performed. The estimates of consumption are recognised as revenue when invoiced. Adjustments to estimates of consumption are made in the invoicing period when meters have been read. These adjustments are recognised as revenue in the invoicing period. Waste removal services are billed on a monthly basis.

Income from agency services

Income from agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified. The income recognised is in terms of an agency agreement.

Services provided on a prepayment basis

Various services are provided on a prepayment basis in which no formal billing takes place and revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date.

1.17 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by a municipality, which represents an increase in net assets, other than increases relating to contributions from owners.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, a municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Control of an asset arises when the municipality can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, a municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Accounting Policies

1.17 Revenue from non-exchange transactions (continued)

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting municipality.

Tax expenditures are preferential provisions of the tax law that provide certain taxpayers with concessions that are not available to others.

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation.

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

Rates and Taxes

Revenue from property rates is recognised when the legal entitlement to this revenue arise . Collection charges are recognised when such amounts are legally enforceable . Penalty interest on unpaid rates is recognised on a Time-proportionate Basis with reference to the principal amount receivable and effective interest rate applicable. A composite rating system charging different rate tariffs is employed . Rebates are granted to certain categories of ratepayers and are deducted from revenue.

Transfers

Apart from Services in kind, which are not recognised, the municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

Debt forgiveness and assumption of liabilities

The municipality recognise revenue in respect of debt forgiveness when the former debt no longer meets the definition of a liability or satisfies the criteria for recognition as a liability, provided that the debt forgiveness does not satisfy the definition of a contribution from owners.

Revenue arising from debt forgiveness is measured at the carrying amount of debt forgiven.

Fines

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality. The full amount of traffic fines is recognised at the initial transaction date and subsequent to initial recognition the best estimate is made to assess the probability of collecting traffic fines issued.

Where the municipality collects fines in the capacity of an agent, the fine will not be revenue of the collecting entity.

Bequests

Bequests that satisfy the definition of an asset are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality, and the fair value of the assets can be measured reliably.

Gifts and donations, including goods in-kind

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

Services in-kind

Services in-kind are not recognised but are disclosed in the notes to the financial statements.

Accounting Policies

1.17 Revenue from non-exchange transactions (continued)

Concessionary loans received

A concessionary loan is a loan granted to or received by the municipality or municipal entity on terms that are not market related.

The portion of the loan that is repayable, along with any interest payments, is an exchange transaction and is accounted for in accordance with the Standard of GRAP on Financial Instruments. The off-market portion of the loan is a non-exchange transaction. The off-market portion of the loan that is recognised as non-exchange revenue is calculated as the difference between the proceeds received from the loan, and the present value of the contractual cash flows of the loan, discounted using a market related rate of interest.

The recognition of revenue is determined by the nature of any conditions that exist in the loan agreement that may give rise to a liability. Where a liability exists the cash flow statement recognises revenue as and when it satisfies the conditions of the loan agreement.

Grants and receipts

Revenue received from conditional grants and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. Where the agreement contains a stipulation to return the asset, other future economic benefits or service potential, in the event of non-compliance to these stipulations and would be enforced by the transferor, a liability is recognised to the extent that the criteria, conditions or obligations have not been met. Where such requirements are not enforceable, or where past experience has indicated that the transferor has never enforced the requirement to return the transferred asset, other future economic benefits or service potential when breaches have occurred, the stipulation will be considered a restriction and is recognised as revenue.

1.18 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

1.19 Comparative figures

When the presentation or classification of items in the annual financial statements is amended, prior period comparatives amounts are reclassified. The nature and reason for the reclassification is disclosed.

Where accounting errors have been identified in the current financial year the correction is made retrospectively as far as it is practical and prior year comparatives are restated accordingly.

The comparatives (Accounting policy and disclosures) may not be consistent with the current year accounting policies and disclosures due to implementation of the new GRAP standards.

1.20 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.21 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

Hibiscus Coast Municipality

Financial Statements for the year ended 30 June 2015

Accounting Policies

1.22 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.23 Housing development fund

The Housing Development Fund was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from national and provincial government used to finance housing selling schemes undertaken by the municipality were extinguished on 1 April 1998 and transferred to a Housing Development Fund. Housing selling schemes, both complete and in progress as at 1 April 1998, were also transferred to the Housing Development Fund. In terms of the Housing Act, all proceeds from housing developments, which include rental income and sales of houses, must be paid into the Housing Development Fund. Monies standing to the credit of the Housing Development Fund can be used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

1.24 Conditional grants and receipts

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

1.25 Grant -In-Aid

The municipality transfers money to individuals, organisations and other sectors of government from time to time. When making these transfers, the municipality does not receive goods or service delivery in return, as would have been expected in a purchase or sale. These transfers are recognised in the Statement of financial performance as an expense in the period that the events giving rise to the transfer.

1.26 Commitments

The amount of capital commitments contracted for at the reporting date and which have not been recognised as liabilities are disclosed by way of a note. A distinction is made between capital and operating commitment.

1.27 Budget information

Municipality are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on a cash basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2012/06/30 to 2013/06/30.

The budget for the economic entity includes all the entities approved budgets under its control.

The financial statements and the budget are not on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

Comparative information is not required.

1.28 Related parties

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the local sphere of government are considered to be related parties.

Hibiscus Coast Municipality

Financial Statements for the year ended 30 June 2015

Accounting Policies

1.28 Related parties (continued)

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

1.29 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The municipality will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The municipality will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

1.30 Events after reporting dates

Events after the reporting date are classified as adjusting events are accounted for in the financial statements and events after the reporting dates that are classified as non-adjusting events are disclosed in the notes to the financial statements.

1.31 Value added tax

Value added tax on revenue and expenditure transactions are recorded in the books of the municipality on the accrual basis of accounting, however South African Revenue Services has registered and permitted the municipality to use the payment basis for determining the amounts due to or from South African Revenue Services.

1.32 Change in accounting policy, estimate and errors

Changes in accounting policies that are effected by management have been applied retrospectively in accordance with GRAP3 requirements, to the extent that it is impracticable to determine the period end specific effect or the cumulative effect of the change in accounting policy. In such a case the municipality will restate the opening balances of the assets, liabilities and net assets for the earliest period for which retrospective application is practicable. Refer to note 2.

Changes in accounting estimates are applied prospectively in accordance with GRAP 3 requirements. Details of the change in estimates are disclosed in the notes to the annual financial statements where applicable

Correction of error that are effected by management have been applied retrospectively in accordance with GRAP 3 requirements, to the extent that it is impracticable to determine the period end specific effect or the cumulative effect of the error. In such a case the municipality will restate the opening balances of the assets, Liabilities and net assets for the earliest period for which retrospective restatement is practicable

Hibiscus Coast Municipality

Financial Statements for the year ended 30 June 2015

Notes to the Financial Statements

Figures in Rand	2015	2014
-----------------	------	------

2. Changes in accounting policy

Heritage Assets

The municipality had taken advantage of the Directive 4 of the Accounting Standard Board , that required that Heritage assets not be measured for the period of three years, since the implementation of GRAP 103 Heritage assets in 2013 . The municipality has now fully implemented GRAP 103 in the current year.

Heritage assets

Balance previously published as per AFS 30 June 2013	-	1,131,608
Additions in 2013	-	98,893
Change in accounting policy	-	426,950
Balance now published as per AFS 30 June 2013	-	1,657,451

Notes to the Financial Statements

3. New standards and interpretations

3.1 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2015 or later periods:

GRAP 18: Segment Reporting

Segments are identified by the way in which information is reported to management, both for purposes of assessing performance and making decisions about how future resources will be allocated to the various activities undertaken by the municipality. The major classifications of activities identified in budget documentation will usually reflect the segments for which an entity reports information to management.

Segment information is either presented based on service or geographical segments. Service segments relate to a distinguishable component of an entity that provides specific outputs or achieves particular operating objectives that are in line with the municipality's overall mission. Geographical segments relate to specific outputs generated, or particular objectives achieved, by an entity within a particular region.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

Directive 2 - Transitional provisions for public entities, municipal entities and constitutional institutions, states that no comparative segment information need to be presented on initial adoption of this Standard.

Directive 3 - Transitional provisions for high capacity municipalities states that no comparative segment information need to be presented on initial adoption of the Standard. Where items have not been recognised as a result of transitional provisions under the Standard of GRAP on Property, Plant and Equipment, recognition requirements of this Standard would not apply to such items until the transitional provision in that Standard expires.

Directive 4 – Transitional provisions for medium and low capacity municipalities states that no comparative segment information need to be presented on initial adoption of the Standard. Where items have not been recognised as a result of transitional provisions under the Standard of GRAP on Property, Plant and Equipment and the Standard of GRAP on Agriculture, the recognition requirements of the Standard would not apply to such items until the transitional provision in that standard expires.

The effective date of the standard is for years beginning on or after 01 April 2015.

The municipality expects to adopt the standard for the first time in the 2016 financial statements.

The adoption of this standard is not expected to impact on the results of the municipality, but may result in more disclosure than is currently provided in the financial statements.

GRAP 106: Transfers of functions between entities not under common control

The objective of this Standard is to establish accounting principles for the acquirer in a transfer of functions between entities not under common control. It requires an entity that prepares and presents financial statements under the accrual basis of accounting to apply this Standard to a transaction or other event that meets the definition of a transfer of functions. It includes a diagram and requires that entities consider the diagram in determining whether this Standard should be applied in accounting for a transaction or event that involves a transfer of functions or merger.

It furthermore covers Definitions, Identifying a transfer of functions between entities not under common control, The acquisition method, Recognising and measuring the difference between the assets acquired and liabilities assumed and the consideration transferred, Measurement period, Determining what is part of a transfer of functions, Subsequent measurement and accounting, Disclosure, Transitional provisions as well as the Effective date of the standard.

The effective date of the standard is for years beginning on or after 01 April 2015.

The municipality expects to adopt the standard for the first time in the 2016 financial statements.

It is unlikely that the amendment will have a material impact on the municipality's financial statements.

Notes to the Financial Statements

3. New standards and interpretations (continued)

GRAP 107: Mergers

The objective of this Standard is to establish accounting principles for the acquirer in a transfer of functions between entities not under common control. It requires an entity that prepares and presents financial statements under the accrual basis of accounting to apply this Standard to a transaction or other event that meets the definition of a transfer of functions. It includes a diagram and requires that entities consider the diagram in determining whether this Standard should be applied in accounting for a transaction or event that involves a transfer of functions or merger.

It furthermore covers Definitions, Identifying a transfer of functions between entities not under common control, The acquisition method, Recognising and measuring the difference between the assets acquired and liabilities assumed and the consideration transferred, Measurement period, Determining what is part of a transfer of functions, Subsequent measurement and accounting, Disclosure, Transitional provisions as well as the Effective date of the standard.

The effective date of the standard is for years beginning on or after 01 April 2015.

The municipality expects to adopt the standard for the first time in the 2016 financial statements.

The impact of this amendment is currently being assessed.

GRAP 20: Related parties

The objective of this standard is to ensure that a reporting entity's financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.

An entity that prepares and presents financial statements under the accrual basis of accounting (in this standard referred to as the reporting entity) shall apply this standard in:

- identifying related party relationships and transactions;
- identifying outstanding balances, including commitments, between an entity and its related parties;
- identifying the circumstances in which disclosure of the items in (a) and (b) is required; and
- determining the disclosures to be made about those items.

This standard requires disclosure of related party relationships, transactions and outstanding balances, including commitments, in the consolidated and separate financial statements of the reporting entity in accordance with the Standard of GRAP on Consolidated and Separate Financial Statements. This standard also applies to individual financial statements.

Disclosure of related party transactions, outstanding balances, including commitments, and relationships with related parties may affect users' assessments of the financial position and performance of the reporting entity and its ability to deliver agreed services, including assessments of the risks and opportunities facing the entity. This disclosure also ensures that the reporting entity is transparent about its dealings with related parties.

The standard states that a related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control. As a minimum, the following are regarded as related parties of the reporting entity:

- A person or a close member of that person's family is related to the reporting entity if that person:
 - has control or joint control over the reporting entity;
 - has significant influence over the reporting entity;
 - is a member of the management of the entity or its controlling entity.
- An entity is related to the reporting entity if any of the following conditions apply:
 - the entity is a member of the same economic entity (which means that each controlling entity, controlled entity and fellow controlled entity is related to the others);
 - one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of an economic entity of which the other entity is a member);
 - both entities are joint ventures of the same third party;
 - one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - the entity is a post-employment benefit plan for the benefit of employees of either the entity or an entity related to the entity. If the reporting entity is itself such a plan, the sponsoring employers are related to the entity;
 - the entity is controlled or jointly controlled by a person identified in (a); and
 - a person identified in (a)(i) has significant influence over that entity or is a member of the management of that entity (or its controlling entity).

Notes to the Financial Statements

3. New standards and interpretations (continued)

The standard furthermore states that related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

The standard elaborates on the definitions and identification of:

- Close member of the family of a person;
- Management;
- Related parties;
- Remuneration; and
- Significant influence

The standard sets out the requirements, inter alia, for the disclosure of:

- Control;
- Related party transactions; and
- Remuneration of management

The effective date of the standard is for years beginning on or after 01 April 2016.

The adoption of this standard is not expected to impact on the results of the municipality, but may result in more disclosure than is currently provided in the financial statements.

GRAP 105:Transfers of functions between entities under common control

An entity may be created to accomplish a narrow and well-defined objective (e.g. to effect a lease, research and development activities or a securitisation of financial assets). Such a special purpose entity ('SPE') may take the form of a corporation, trust, partnership or unincorporated entity. SPEs often are created with legal arrangements that impose strict and sometimes permanent limits on the decision-making powers of their management over the operations of the SPE. Frequently, these provisions specify that the policy guiding the ongoing activities of the SPE cannot be modified, other than perhaps by its creator or sponsor (ie they operate on so-called 'autopilot'). The sponsor (or entity on whose behalf the SPE was created) frequently transfers assets to the SPE, obtains the right to use assets held by the SPE or performs services for the SPE, while other parties ('capital providers') may provide the funding to the SPE. An entity that engages in transactions with an SPE (frequently the creator or sponsor) may in substance control the SPE. A beneficial interest in an SPE may, for example, take the form of a debt instrument, an equity instrument, a participation right, a residual interest or a lease. Some beneficial interests may simply provide the holder with a fixed or stated rate of return, while others give the holder rights or access to other future economic benefits or service potential of the SPE's activities. In most cases, the creator or sponsor (or the entity on whose behalf the SPE was created) retains a significant beneficial interest in the SPE's activities, even though it may own little or none of the SPE's net assets.

The Standard of GRAP on Consolidated and Separate Financial Statements requires the consolidation of entities that are controlled by the reporting entity. However, the Standard of GRAP does not provide explicit guidance on the consolidation of SPEs. The issue is under what circumstances an entity should consolidate an SPE. This interpretation of the Standards of GRAP does not apply to post-employment benefit plans or other long-term employee benefit plans to which the Standard of GRAP on Employee Benefits applies.

A transfer of assets from an entity to an SPE may qualify as a sale by that entity. Even if the transfer does qualify as a sale, the provisions of the Standard of GRAP on Consolidated and Separate Financial Statements and this Interpretation of the Standards of GRAP may mean that the entity should consolidate the SPE. This Interpretation of the Standards of GRAP does not address the circumstances in which sale treatment should apply for the entity or the elimination of the consequences of such a sale upon consolidation.

The effective date of this interpretation is dependent on/in conjunction with the effective date of GRAP105, 106 and 107.

It is unlikely that the interpretation will have a material impact on the municipality's financial statements.

Paragraphs .108 and .109 were amended by the improvements to the Standards of GRAP issued previously:

Amendments were made to the Statement of Financial Performance as well as the Statement of Changes in Net Assets.

All amendments to be applied retrospectively.

The effective date of the amendment is for years beginning on or after 01 April 2013

Notes to the Financial Statements

3. New standards and interpretations (continued)

The municipality expects to adopt the amendment for the first time in the 2014 financial statements.

DIRECTIVE 11: Changes in measurement bases following the initial adoption of Standards of GRAP

The objective of this Directive is to permit an entity to change its measurement bases following the initial adoption of Standards of GRAP. The change is based on the principles in the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors. This Directive should therefore be read in conjunction with the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

In applying paragraph 13(b) of the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors, this Directive allows an entity, that has initially adopted the fair value model for investment property or the revaluation model for property, plant and equipment, intangible assets or heritage assets, to change its accounting policy on a once-off basis to the cost model when the entity elects to change its accounting policy following the initial adoption of these Standards of GRAP. The once-off change will be allowed when the entity made an inappropriate accounting policy choice on the initial adoption of the Standards of GRAP.

Subsequent to the application of this Directive, an entity will be allowed to change its accounting policy in future periods subject to it meeting the requirements in the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

The effective date of the standard is for years beginning on or after 01 April 2016.

The municipality expects to adopt the standard for the first time in the 2017 financial statements.

The impact of this standard is currently being assessed.

GRAP32: Service Concession Arrangements: Grantor

The objective of this Standard is: to prescribe the accounting for service concession arrangements by the grantor, a public sector entity.

It furthermore covers: Definitions, recognition and measurement of a service concession asset, recognition and measurement of liabilities, other liabilities, contingent liabilities, and contingent assets, other revenues, presentation and disclosure, transitional provisions, as well as the effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality is unable to reliably estimate the impact of the standard on the financial statements.

GRAP108: Statutory Receivables

The objective of this Standard is: to prescribe accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables.

It furthermore covers: Definitions, recognition, derecognition, measurement, presentation and disclosure, transitional provisions, as well as the effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The impact of this standard is currently being assessed.

Hibiscus Coast Municipality

Financial Statements for the year ended 30 June 2015

Notes to the Financial Statements

Figures in Rand	2015	2014
-----------------	------	------

4. Investment property

	2015			2014		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	236,000,695	-	236,000,695	246,031,478	-	246,031,478

Reconciliation of investment property - 2015

	Opening balance	Fair value adjustments	Total
Investment property	246,031,478	(10,030,783)	236,000,695

Reconciliation of investment property - 2014

	Opening balance	Fair value adjustments	Total
Investment property	244,830,332	1,201,146	246,031,478

Pledged as security

No investment property has been pledged as security for any financial liabilities

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality

Details of valuation

Investment property which comprises land and building are stated at fair value, which has been determined based on the valuations by E- Evaluations as at 30 June 2015 an industry specialist in valuing these types of properties. Messrs E- Evaluations is the member of the Institute of Valuers, and they have appropriate qualification and recent experience in the valuation of properties in the relevant locations. The valuations, which conform to the International Valuation Standards.

Messrs E-Evaluations is not related to the municipality.

Previous year's figures of the Investment Property have been restated to correctly disclose all the investment property of the municipality. Please refer to note on " Correction of Error for the details of the restatement.

Rental revenue from investment property	7,670,684	9,381,701
---	-----------	-----------

Hibiscus Coast Municipality

Financial Statements for the year ended 30 June 2015

Notes to the Financial Statements

Figures in Rand

5. Property, plant and equipment

	2015			2014		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land and building	103,543,410	(32,231,548)	71,311,862	104,831,702	(31,921,045)	72,910,657
Infrastructure	1,499,508,957	(750,270,210)	749,238,747	1,444,342,868	(698,459,333)	745,883,535
Community	191,442,775	(55,897,670)	135,545,105	162,826,010	(50,326,216)	112,499,794
Other property, plant and equipment	105,813,985	(69,120,043)	36,693,942	107,024,457	(65,498,931)	41,525,526
Total	1,900,309,127	(907,519,471)	992,789,656	1,819,025,037	(846,205,525)	972,819,512

Hibiscus Coast Municipality

Financial Statements for the year ended 30 June 2015

Notes to the Financial Statements

Figures in Rand

5. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2015

	Opening balance	Additions	Capital under construction	Disposals	Depreciation	Impairment loss	Total
Land and building	72,910,657	777,949	-	-	(2,376,745)	-	71,311,862
Infrastructure	745,883,535	37,216,062	5,957,657	(1,432)	(39,817,075)	-	749,238,747
Community	112,499,794	21,168,192	7,448,574	-	(5,571,454)	-	135,545,106
Other property, plant and equipment	41,525,526	7,231,880	-	(1,650,233)	(9,983,957)	(429,273)	36,693,943
	972,819,512	66,394,083	13,406,231	(1,651,665)	(57,749,231)	(429,273)	992,789,658

Reconciliation of property, plant and equipment - 2014

	Opening balance	Additions	Capital under construction	Errors	Depreciation	Impairment loss	Total
Land and Building	77,144,192	537,400	-	(2,264,821)	(2,506,114)	-	72,910,657
Infrastructure	726,354,546	25,092,629	20,933,729	11,017,671	(37,515,039)	-	745,883,536
Community	92,402,014	8,510,515	15,857,754	-	(4,270,490)	-	112,499,794
Other property, plant and equipment	44,804,565	7,788,563	-	-	(10,853,674)	(214,017)	41,525,526
	940,705,317	41,929,107	36,791,483	8,752,850	(55,145,317)	(214,017)	972,819,513

Pledged as security

No property, plant and equipment was placed as security for financial liabilities

Impairment

The municipality tested its property, plant and equipment for impairment to ensure that the assets were reflected at the lower of the net book value or recoverable amount. Impairment tests were performed on all group of assets.

Other information

Hibiscus Coast Municipality

Financial Statements for the year ended 30 June 2015

Notes to the Financial Statements

Figures in Rand

2015

2014

6. Intangible assets

	2015			2014		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	1,806,505	(1,403,790)	402,715	3,328,529	(2,787,876)	540,653

Reconciliation of intangible assets - 2015

	Opening balance	Amortisation	Total
Computer software, other	540,653	(137,938)	402,715

Reconciliation of intangible assets - 2014

	Opening balance	Additions	Amortisation	Total
Computer software, other	786,069	1,602	(247,018)	540,653

Restricted title

Computer Software are issued under licence and are restricted to the conditions under which each licence are issued

Intangible Assets with Indefinite Useful Lives

The municipality amortises all its Intangible Assets and no of such assets are regarded as having indefinite useful lives.

The useful lives of Intangible Assets have been re-assessed and there are changes from previous year.

Amortisation is charged on a straight-line basis over the Intangible Assets 's useful lives.

Impairment of Intangible Assets

No impairment losses have been recognised on Intangible Assets of the municipality at the reporting date.

7. Heritage assets

	2015			2014		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
National Monuments	1,657,451	(2,500)	1,654,951	1,657,451	-	1,657,451

Reconciliation of heritage assets 2015

	Opening balance	Impairment losses recognised	Total
National Monuments	1,657,451	(2,500)	1,654,951

Reconciliation of heritage assets 2014

Hibiscus Coast Municipality

Financial Statements for the year ended 30 June 2015

Notes to the Financial Statements

Figures in Rand	2015	2014
7. Heritage assets (continued)		
	Opening balance	Additions
National Monuments	1,558,558	98,893
		Total
		1,657,451
Pledged as security		
No Heritage Assets have been pledged as security for financial liabilities		
The municipality had taken advantage of the Directive 4 of the Accounting Standard Board (ASB) with the implementation of GRAP 103 . The municipality has identified all Heritage Assets and have them valued in accordance with GRAP 103 .		
The valuations were performed by Gilfillan -Scott-Berning , the specialist in the valuations of these types of Heritage Assets.		
8. Long-term receivables		
At amortised cost		
Ugu District Municipality	9,135,596	10,034,040
This amount owed by Ugu District Municipality represents the amount paid by Hibiscus Coast Municipality to DBSA on behalf of Ugu District Municipality arising from transfer of powers and functions. The installment varies and paid in December and June each year.		
Non-current assets		
At amortised cost	8,237,153	8,762,119
Current assets		
At amortised cost	898,443	1,271,921
9. Employee benefit obligations		
Post retirement health care benefits liability		
Balance at beginning of year	61,518,000	52,495,000
Current service costs	2,155,000	1,577,000
Interest costs	5,482,000	3,732,000
Subsidies paid	(2,640,000)	(2,384,000)
Actuarial (gain)/ loss recognised	5,261,000	6,098,000
Balance at end of year	71,776,000	61,518,000
Transfer to current liabilities	(2,571,000)	(2,640,000)
	69,205,000	58,878,000
The municipality provides certain post-retirement health care benefits liability by funding the medical aid contributions of qualifying retired members of the municipality. According to the rules of the Medical Aid Funds, with which the municipality is associated, a member (who is on the current Conditions of Service) is entitled to remain a continued member of such medical aid fund on retirement, in which case the municipality is liable for a certain portion of the medical aid membership fee. The municipality operates an unfunded defined benefit plan for these qualifying employees.		
The most recent actuarial valuations of plan assets and the present value of the unfunded defined benefit obligation were carried out at 30 June 2015 by One Pangae Financial , Fellow of the Faculty of Actuaries and Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.		
The members of the post-employment health care benefits plan are made up as follows:		
In-service members (Employees)	517	484

Hibiscus Coast Municipality

Financial Statements for the year ended 30 June 2015

Notes to the Financial Statements

Figures in Rand	2015	2014
9. Employee benefit obligations (continued)		
Continuation members (Retirees, widowers and orphans)	90	84
Total members	607	568
The liability in respect of past service has been estimated as follows (R million):		
In-service members	36,882,000	30,549,000
Continuation members	34,894,000	30,969,000
	71,776,000	61,518,000

The municipality makes monthly contributions for health care arrangements to the following Medical Aid Schemes:

- Bonitas
- Global Health
- LA Health
- Samwumed

The future-service cost for the ensuing year is estimated to be R 3 451 000, whereas the interest cost for the year after is estimated to be R5 667 000.

The principal assumptions used for the purposes of the actuarial valuations were as follows:

Assumptions used at the reporting date:

Health care cost inflation rate	7.02 %	7.05 %
Discount rates	8.04 %	8.94 %
Medical aid inflation rate	7.02 %	8.05 %
Expected retirement age	65	65
Net effective discount rate	0.95 %	0.82 %

The amounts recognised in the statement of financial position are as follows:

Carrying value		
Present value of unfunded obligations	71,776,000	61,518,000
Non-current liabilities	(69,205,000)	(58,878,000)
Current liabilities	(2,571,000)	(2,640,000)
	(71,776,000)	(61,518,000)

The amounts recognised in the Statement of Financial Performance are as follows:

Current service cost	2,155,000	1,577,000
Interest cost	5,482,000	3,732,000
Actuarial (gains) losses	5,261,000	6,098,000
	-	-
Total included in employee related costs	12,898,000	11,407,000

Movements in the present value of the defined benefit obligation were as follows:

Balance at the beginning of the year	61,518,000	52,495,000
Current service costs	2,155,000	1,577,000
Interest cost	5,482,000	3,732,000
Benefits paid	(2,640,000)	(2,384,000)
Actuarial losses / (gains) recognised	5,261,000	6,098,000
Present value of fund obligation at the end of the year	71,776,000	61,518,000

Hibiscus Coast Municipality

Financial Statements for the year ended 30 June 2015

Notes to the Financial Statements

Figures in Rand	2015	2014
9. Employee benefit obligations (continued)		
Movements in the present value of the defined benefit assets were as follows:		
Past-service costs	2,640,000	2,384,000
Assets distributed on settlements	(2,640,000)	(2,384,000)
Balance at the end of the year	-	-

The history of experienced adjustments is as follows:

	2015 R	2014 R	2013 R	2012 R	2011 R
Present value of defined benefit obligation	71,776,000	61,518,000	52,495,000	44,601,000	41,534,194
Deficit	71,776,000	61,518,000	52,495,000	44,601,000	41,534,194
Experienced adjustments on Plan Liabilities	5,482,000	5,309,000	3,922,000	4,854,000	690,209

The effect of a 1% movement in the assumed rate of health care cost inflation is as follows:

Increase:		
Effect on the aggregate of the current service cost and the interest cost	10,496,000	5,722,000
Effect on the defined benefit obligation	82,157,000	64,156,000
Decrease:		
Effect on the aggregate of the current service cost and the interest cost	7,739,000	5,178,000
Effect on the defined benefit obligation	63,283,000	58,173,000

Defined benefit plan

Long service awards and retirement gifts liability

Balance at beginning of year	15,922,000	9,797,000
Interest costs	1,273,000	876,000
Current service cost	1,608,000	670,000
Benefits paid	(1,617,000)	(1,480,000)
Actuarial (gain)/loss recognised	(4,545,000)	6,059,000
Total	12,641,000	15,922,000
Transfer to current liabilities	(1,592,000)	(1,617,000)
	11,049,000	14,305,000

The Council offers employees leave awards that may be exchanged for cash on certain anniversaries of commencing service and a retirement gift determined by reference to length of service.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2015 By One Pangae Financial ,Fellow of the Actuarial Society of South Africa .The Council offers employees leave awards that may be exchanged for cash on certain anniversaries of commencing service and a retirement gift determined by reference to length of service.

The employees eligible for long service awards are made up as follows:

Male	634	640
Female	445	450
	1,079	1,090

The future -service costs for the ensuring year is estimated to be R1 608 000 whereas the interest cost for the year after is estimated to be R1 098 000

Hibiscus Coast Municipality

Financial Statements for the year ended 30 June 2015

Notes to the Financial Statements

Figures in Rand	2015	2014
9. Employee benefit obligations (continued)		
The principal assumptions used for the purpose of the actuarial valuations were as follows:		
Discount rate	8 %	8 %
General Salary Inflation(Long term)	7 %	6 %
Net Effective Discount Rate	1 %	1 %
Expected Retirement Age	65	65
The amount recognised in the Statement of Financial Position are as follows:		
Present value of unfunded obligations	12,641,000	15,922,000
The amount recognised in the Statement of Financial Performance		
Current service costs	1,608,000	876,000
Interest cost	1,273,000	670,000
Actuarial losses/(gains)	(4,545,000)	6,059,000
	(1,664,000)	7,605,000
Movements in the present value of the defined benefit obligation were as follows:		
Balance at the beginning of the year	15,922,000	9,797,000
Current service costs	1,608,000	876,000
Interest costs	1,273,000	670,000
Benefits paid	(1,617,000)	(1,480,000)
Actuarial losses/(gains)	(4,545,000)	6,059,000
	12,641,000	15,922,000
Movements in the present value of plan assets were as follows:		
Contributions from employer	1,617,000	1,480,000
Benefits paid	(1,617,000)	(1,480,000)
	-	-
The history of experienced adjustments is as follows:		
Present value of obligation	12,641,000	15,922,000
Th effect of 1% movement in the assumed rate of general salary inflation is as follows:		
Increase		
Effect on the aggregate of the current service cost and the interest cost	2,251,000	1,769,000
Effect on the defined benefit obligation	13,458,000	17,180,000
	15,709,000	18,949,000
Decrease		
Effect on the aggregate of the current service cost and the interest cost	1,957,000	1,467,000
Effect on the defined benefit obligation	11,899,000	14,797,000
	13,856,000	16,264,000
10. Inventories		
Maintenance materials	2,518,169	3,113,110
Housing selling units	24,392	24,392
	2,542,561	3,137,502

Hibiscus Coast Municipality

Financial Statements for the year ended 30 June 2015

Notes to the Financial Statements

Figures in Rand	2015	2014
11. Receivables from non-exchange transactions		
Traffic fines	55,055,331	51,326,554
Advances and other debtors	5,057,803	985,908
Sundry debtors and others	1,085,874	884,824
	61,199,008	53,197,286
Receivables from non-exchange transactions pledged as security		
There are no other receivables from non-exchange transactions pledged as security for overdraft facilities.		
The prior year figures of receivables from Non-exchange transactions have been restated as the property rates have been reclassified to receivables from non-exchange transactions. Refere to the note on comparative information note for details.		
12. VAT receivable		
VAT	18,122,867	7,683,631
VAT ia payable on the payment basis .Once payment is received from debtors , VAT is payable over to SARS.		
13. Receivables from exchange transactions		
Gross balances		
Rates	80,010,327	79,618,963
Electricity	12,239,488	12,085,019
Interest	22,927,569	21,334,731
Penalties	3,787,791	4,663,147
Legal fees	4,730,068	5,654,720
Refuse	13,894,578	12,719,676
Other receivables	12,455,861	11,719,853
	150,045,682	147,796,109
Less: Allowance for impairment		
Electricity	(6,098,004)	(3,166,046)
Interest	(4,765,987)	(4,563,012)
Penalties	(2,014,432)	(1,772,484)
Legal fees	(2,754,434)	(2,519,826)
Refuse	(6,755,543)	(6,635,120)
Other receivables	(3,832,086)	(6,534,148)
	(26,220,486)	(25,190,636)
Net balance		
Rates	80,010,327	79,618,963
Electricity	6,141,484	8,918,973
Interest	18,161,582	16,771,720
Penalties	1,773,359	2,890,663
Legal fees	1,975,634	3,134,894
Refuse	7,139,035	6,084,555
Other debtors	8,623,775	5,185,705
	123,825,196	122,605,473

Hibiscus Coast Municipality

Financial Statements for the year ended 30 June 2015

Notes to the Financial Statements

Figures in Rand	2015	2014
13. Receivables from exchange transactions (continued)		
Included in above is receivables from exchange transactions		
Electricity	8,272,947	8,688,379
Interest	22,927,569	16,771,719
Refuse	3,787,791	2,890,663
Penalties	4,730,068	3,134,894
Legal fees	13,894,578	6,084,556
Other debtors	13,321,476	5,185,705
	66,934,429	42,755,916
Included in above is receivables from non-exchange transactions (taxes and transfers)		
Rates	80,010,327	79,618,963
Net balance	146,944,756	122,374,879
Rates		
Current (0 -30 days)	751,045	146,580
31 - 60 days	5,765,276	5,425,628
61 - 90 days	4,627,127	4,529,950
91 - 120 days	3,924,914	3,817,676
> 121days	64,941,965	65,699,129
	80,010,327	79,618,963
Electricity		
Current (0 -30 days)	10,241,351	9,337,019
31 - 60 days	172,562	657,475
61 - 90 days	117,726	409,138
91 - 120 days	100,403	163,652
> 121 days	1,607,446	1,517,734
	12,239,488	12,085,018
Interest		
Current (0 -30 days)	1,545,660	1,565,285
31 - 60 days	742,070	769,500
61 - 90 days	724,363	714,593
91 - 120 days	675,528	681,556
> 121 days	19,239,947	17,603,797
	22,927,568	21,334,731
Penalties		
> 121 days	3,787,791	4,096,038
Legal fees		
Current (0 -30 days)	132,016	121,343
31 - 60 days	83,557	54,761
61 - 90 days	25,324	38,928
91 - 120 days	192	31,314
> 121days	4,488,979	4,873,869
	4,730,068	5,120,215

Hibiscus Coast Municipality

Financial Statements for the year ended 30 June 2015

Notes to the Financial Statements

Figures in Rand	2015	2014
13. Receivables from exchange transactions (continued)		
Refuse		
Current (0 -30 days)	-	1,570
31 - 60 days	902,354	839,207
61 - 90 days	741,511	652,133
91 - 120 days	652,865	581,779
> 121days	11,597,848	10,644,987
	13,894,578	12,719,676
Other debtors		
Current (0 -30 days)	2,101,456	2,416,428
31 - 60 days	283,913	278,748
61 - 90 days	460,810	234,389
91 - 120 days	217,041	236,022
> 121days	9,392,641	8,554,266
	12,455,861	11,719,853

Hibiscus Coast Municipality

Financial Statements for the year ended 30 June 2015

Notes to the Financial Statements

Figures in Rand	2015	2014
13. Receivables from exchange transactions (continued)		
Summary of debtors by customer classification		
Consumers		
Current (0 -30 days)	1,102,998	4,771,803
31 - 60 days	4,747,397	5,886,584
61 - 90 days	10,244,019	4,934,171
91 - 120 days	9,810,705	4,294,123
> 121 days	102,084,734	86,232,294
	127,989,853	106,118,975
Less: Allowance for impairment	(18,344,834)	(12,434,232)
	109,645,019	93,684,743
Industrial/ commercial		
Current (0 -30 days)	5,621,631	3,306,942
31 - 60 days	1,103,250	1,197,626
61 - 90 days	929,468	981,633
91 - 120 days	772,514	785,234
> 121 days	10,761,504	9,538,637
	19,188,367	15,810,072
Less: Allowance for impairment	(6,980,098)	(6,543,421)
	12,208,269	9,266,651
National and provincial government		
Current (0 -30 days)	1,619,388	5,509,481
31 - 60 days	74,677	969,585
61 - 90 days	66,700	663,326
91 - 120 days	18,368	432,923
> 121days	1,088,329	17,190,134
	2,867,462	24,765,449
Less: Allowance for impairment	(895,353)	(5,111,370)
	1,972,109	19,654,079
Total		
Current (0 -30 days)	14,771,530	13,441,646
31 - 60 days	7,949,732	2,628,169
61 - 90 days	6,697,193	2,049,181
91 - 120 days	5,570,942	1,694,604
>121days	115,056,285	47,261,934
	150,045,682	67,075,534
Less: Allowance for impairment	(26,220,485)	(24,089,023)
	123,825,197	42,986,511
Less: Allowance for impairment		
61 - 90 days	(6,534,642)	(6,142,432)
91 - 120 days	(7,142,442)	(6,653,552)
> 121days	(12,543,401)	(11,293,039)
	(26,220,485)	(24,089,023)

Hibiscus Coast Municipality

Financial Statements for the year ended 30 June 2015

Notes to the Financial Statements

Figures in Rand	2015	2014
-----------------	------	------

13. Receivables from exchange transactions (continued)

Reconciliation of allowance for impairment

Balance at beginning of the year	(24,089,023)	(24,319,617)
Contributions to allowance	(3,357,927)	(1,926,289)
Debt impairment written off against allowance	1,226,465	2,156,883
	(26,220,485)	(24,089,023)

Consumer debtors pledged as security

There were no consumer debtors pledged as security for overdraft facilities for the period ended 30 June 2015.

In determining the recoverability of receivables from exchange transactions, the Hibiscus Coast Municipality considers any change in credit quality of the trade and other receivables from the date the credit was initially granted up to the reporting date.

14. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	70,445	68,945
Bank balances	13,600,804	9,519,511
Short-term deposits	78,157,507	141,126,966
	91,828,756	150,715,422

Hibiscus Coast Municipality

Financial Statements for the year ended 30 June 2015

Notes to the Financial Statements

Figures in Rand 2015 2014

14. Consumer debtors disclosure (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2015	30 June 2014	30 June 2013	30 June 2015	30 June 2014	30 June 2013
05 325 607 7-Standard Bank Primary Bank Acc	-	-	2,752,361	-	-	2,752,361
1020541857(Nedbank primary bank a/c)	6,369,473	1,616,313	39,357	3,545,438	1,616,313	39,357
91-4947-5623 ABSA (Louisiana Housing)	8,331,054	8,500,470	9,100,794	8,331,054	8,500,470	9,100,794
91-4947-4529 ABSA (Nzimakwe Housing)	536,204	535,852	621,634	536,204	535,852	621,634
91-4947-4927 ABSA(Nzimakwe Housing2)	890,199	889,608	811,931	890,199	889,608	811,931
91-4947-5509 ABSA (Bhobhoyi Housing)	289,800	211,149	357,921	289,800	211,149	357,921
91-4947-5753 ABSA (Bhobhoyi Housing 1)	12,972	12,947	11,854	12,972	12,947	11,854
91-4947-5208 ABSA (Damaged Housing)	70,618	112,141	102,729	70,618	112,141	102,729
91-4940-1627 ABSA (Uplands Housing)	69,162	69,117	63,306	69,162	69,117	63,306
91-4940-1164 ABSA (Mkhholombe Housing)	33,206	33,185	30,395	33,206	33,185	30,395
1400-190309-500(Investc Call Account)	-	24,226,962	61,109,668	-	24,226,962	61,109,668
91-5277-5491 ABSA (Aids Project)	125,321	125,241	114,792	125,321	125,241	114,792
89140-356988 STD Bank (Masinenge Housing)	9,567,650	3,361,532	1,398,260	9,567,650	3,361,532	1,398,260
89139-356986 STD Bank (KwaMavundla Housing)	211,018	209,615	190,503	211,018	209,615	190,503
89141-356989 STD Bank (Kwaxolo Housing)	10,018,829	9,870,224	4,440,658	10,018,829	9,870,224	4,440,658
90439-364623 STD Bank (KwaNdwalane Housing)	454,130	454,444	2,083,546	454,130	454,444	2,083,546
1400-190309-500 Investec (MHOA)	6,016,250	-	26,722,010	6,016,250	-	26,722,010
89111-356985 STD Bank (CCDC)	20,283,096	52,743,172	33,946,510	20,283,096	52,743,172	33,946,510
89111-357732 STD Bank	294,431	3,217,041	89,824	294,431	3,217,041	89,824
89111-360253 STD Bank	57,137	54,238	30,534,658	57,137	54,238	30,534,658
7881000791 Nedbank(Primary bank account)	20,896,430	36,500,028	-	20,896,430	36,500,028	-
Total	84,526,980	142,743,279	174,522,711	81,702,945	142,743,279	174,522,711

15. Accumulated surplus

The accumulated surplus consist of the following reserves:

Housing Development Fund	6,040,601	24,251,354
Capital Replacement Reserve	26,961,788	26,961,788
Government Grant Reserve	216,303,381	216,303,381
Capitalisation Reserve	18,329,539	18,329,539
Donations and Public Contributions Reserve	3,018,235	3,018,235
Accumulated Surplus(Deficit) due to operations	568,658,518	589,812,004
	839,312,062	878,676,301

Hibiscus Coast Municipality

Financial Statements for the year ended 30 June 2015

Notes to the Financial Statements

Figures in Rand	2015	2014
16. Housing development fund		
The housing development fund is represented by the following assets		
Housing selling scheme loans	24,392	24,392
Bank and cash	6,016,209	24,226,962
Assets	6,040,601	24,251,354
17. Unspent conditional grants and receipts		
Unspent conditional grants and receipts comprises of:		
Unspent conditional grants and receipts		
National Dept of Treasury (Municipal Systems Improvement Grant)	5,264,265	1,463,951
National Dept of Treasury (Municipal Infrastructure Grant)	9,343,523	6,625,148
National Treasury (EPWP)	36,539	-
	14,644,327	8,089,099
Movement during the year		
Balance at the beginning of the year	8,089,099	1,620,094
Additions during the year	88,039,550	51,177,000
Income recognition during the year	(81,484,322)	(44,707,995)
	14,644,327	8,089,099
Refer to government grants revenue note for the details of conditions not yet met and reconciliation of opening to closing balance of unspent portion.		
These amounts are invested in a ring-fenced investment until utilised.		
18. Other financial liabilities		
At amortised cost		
Development Bank of Southern Africa	3,830,934	4,835,602
Structured unsecured loans taken over from local municipalities as a result of change of powers and functions. The loan is repaid semi-annually in December and June at various interest rates. The loans are repayable over the period between 10 to 20 years.		
Planet Finance	-	13,558
Structured unsecured loan repayable monthly in fixed installments of capital and interest. Loan is repayable over the period between 5 to 10 years.		
Standard Bank of South Africa	37,564,438	42,235,097
Structured unsecured 20 year loan. Repayable semi-annually in October and April in fixed installments of capital and interest of 11.56 %.		
	41,395,372	47,084,257
Total other financial liabilities	41,395,372	47,084,257
Non-current liabilities		
At amortised cost	34,655,437	40,710,492

Hibiscus Coast Municipality

Financial Statements for the year ended 30 June 2015

Notes to the Financial Statements

Figures in Rand	2015	2014
-----------------	------	------

18. Other financial liabilities (continued)

Current liabilities

At amortised cost	6,739,934	6,373,764
-------------------	-----------	-----------

19. Provisions

Reconciliation of provisions - 2015

	Opening Balance	Contribution during the year	Total
Landfill site rehabilitation	26,748,000	3,706,809	30,454,809

Reconciliation of provisions - 2014

	Opening Balance	Contribution	Total
Landfill site rehabilitation	23,700,600	3,047,400	26,748,000

The best estimate for the landfill site rehabilitation, as determined by TGC Engineers, has been based on the present value of the future expected cash flows required to settle the obligation at the reporting date.

20. Payables from exchange transactions

Trade payables	13,443,618	9,915,516
Debtors with credit balances	30,432,283	27,794,137
Outstanding payments at year end	12,123,643	22,819,243
Retention	15,649,639	14,126,632
Other payables	10,487,672	11,468,955
Accruals	10,119,966	12,462,274
Leave accrual	18,133,876	16,549,935
Southbroom UIP	344,235	403,567
Overtime and other employee related costs accruals	1,260,272	770,245
Operating lease liability	240,933	246,928
	112,236,137	116,557,432

Operating lease liability

Balance at the beginning of the year	246,928	211,604
Operating lease expenses recorded	1,480,281	985,453
Operating lease payments effected	(1,486,276)	(950,129)
	240,933	246,928

Operating leases are recognised on a straight line basis as required by GRAP 13. The above operating lease liabilities have been recognised.

Operating lease relates to property ,plant and equipment with lease term no longer than 5 years,with an option to extend for further period. The municipality does not have an option to purchase the leased asset at the end of the lease term. The rentals escalates between 8% and 11% and no contingent rent is payable.The following are the minimum lease payments.

Operating lease installments

Payable within one year	9,687,437	3,543,442
Payable later than one to five years	16,890,484	4,323,322
	26,577,921	7,866,764

Hibiscus Coast Municipality

Financial Statements for the year ended 30 June 2015

Notes to the Financial Statements

Figures in Rand	2015	2014
21. Consumer deposits		
Electricity	5,776,189	5,380,240
Verges and others	14,497,442	13,948,641
	20,273,631	19,328,881
Guarantees in lieu of consumer deposits		
Electricity	1,058,339	1,076,340
22. Financial instruments disclosure		
Categories of financial instruments		
2015		
Financial assets		
	At amortised cost	Total
Receivables from Exchange transactions	123,825,196	123,825,196
Receivables from Non-exchange transactions	71,125,479	71,125,479
Short-term portion of long-term debtors	898,443	898,443
Long-term debtors	8,237,153	8,237,153
Bank,cash and cash equivalents:Cash	70,445	70,445
Bank,cash and cash equivalents :Bank	13,600,804	13,600,804
Bank,cash and cash equivalents : Call deposits	78,157,507	78,157,507
	295,915,027	295,915,027
Financial liabilities		
	At amortised cost	Total
Payables from Exchange transactions	112,957,874	112,957,874
Consumer deposits	20,273,631	20,273,631
Short-term portion of long-term liabilities	6,731,628	6,731,628
Long-term liabilities	34,663,743	34,663,743
	174,626,876	174,626,876
2014		
Financial assets		
	At amortised cost	Total
Receivables from Exchange transactions	122,605,473	122,605,473
Receivables from Non-exchange transactions	53,197,286	53,197,286
Short-term portion of long-term debtors	1,271,921	1,271,921
Long-term debtors	8,762,119	8,762,119
Bank, cash and cash equivalents : Cash	68,945	68,945
Bank,cash and cash equivalents:Bank	9,519,511	9,519,511
Bank,cash and cash equivalents:Call deposits	141,126,966	141,126,966
	336,552,221	336,552,221
Financial liabilities		
	At amortised cost	Total

Hibiscus Coast Municipality

Financial Statements for the year ended 30 June 2015

Notes to the Financial Statements

Figures in Rand	2015	2014
Financial instruments disclosure (continued)		
Payables from Exchange transactions	116,557,432	116,557,432
Consumer deposits	19,328,882	19,328,882
Short-term portion of Long-term liabilities	6,373,764	6,373,764
Long-term liabilities	40,710,492	40,710,492
	182,970,570	182,970,570
23. Revenue		
Service charges	136,038,622	127,014,572
Rental of facilities and equipment	2,673,069	2,309,352
Interest received	7,670,684	9,381,701
Agency services	4,341,233	4,321,479
Licences and permits	4,896,625	5,510,732
Other income	30,829,432	16,521,372
Interest received - investment	3,783,405	5,503,599
Property rates	290,833,328	278,498,313
Government grants & subsidies	180,463,322	169,190,674
Fines, penalties and forfeits	29,872,986	38,009,367
	691,402,706	656,261,161
The amount included in revenue arising from exchanges of goods or services are as follows:		
Service charges	136,038,622	127,014,572
Rental of facilities and equipment	2,673,069	2,309,352
Interest received	7,670,684	9,381,701
Agency services	4,341,233	4,321,479
Licences and permits	4,896,625	5,510,732
Other income	30,829,432	16,521,372
Interest received - investment	3,783,405	5,503,599
	190,233,070	170,562,807
The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	290,833,328	278,498,313
Transfer revenue		
Government grants & subsidies	180,463,322	169,190,674
Fines, penalties and forfeits	29,872,986	38,009,367
	501,169,636	485,698,354

Hibiscus Coast Municipality

Financial Statements for the year ended 30 June 2015

Notes to the Financial Statements

Figures in Rand	2015	2014
24. Property rates		
Rates received		
Residential	225,888,348	218,925,046
Commercial	42,964,237	40,204,035
Municipal	6,789,668	6,340,728
Small holdings and farms	9,244,461	8,513,130
Mining	121,442	113,500
Agricultural bona fide	1,070,007	982,132
Institutional	4,425,516	4,292,523
Special purpose	254,297	242,059
State	541,684	502,229
Less: Income forgone	(34,956,463)	(34,407,245)
	256,343,197	245,708,137

Valuations

Residential	27,318,918,250	27,243,062,000
Commercial	2,478,955,000	2,454,064,000
Industrial	535,237,000	531,797,000
Mining	7,004,000	7,004,000
Agricultural bona fide	1,242,231,500	1,233,661,500
Agricultural -mixed	111,708,000	107,884,000
Institutional	1,001,411,000	1,063,168,000
Special purpose	58,499,000	58,676,000
Public service infrastructure	2,228,523,000	4,470,872,000
Municipal owned	446,487,000	444,968,250
Vacant land	1,854,062,000	1,876,302,000
Carports/Garages	62,207,000	62,680,000
Communal	58,554,000	58,605,000
Guest Houses	153,322,000	161,514,000
	37,557,118,750	39,774,257,750

Valuations on land and buildings are performed every four years. The last valuation came into effect on 1 July 2012. Interim valuations are performed on a quarterly basis to take into account changes in individual property values due to alterations.

25. Service charges

Sale of electricity	97,045,535	90,729,464
Refuse removal	38,993,087	36,285,108
	136,038,622	127,014,572

Hibiscus Coast Municipality

Financial Statements for the year ended 30 June 2015

Notes to the Financial Statements

Figures in Rand	2015	2014
26. Government grants and subsidies		
Operating grants		
Equitable Share	99,543,000	90,996,000
KZN Housing Grants	-	15,777,679
Finance Management Grant (FMG)	1,600,000	1,550,000
Municipal Systems Improvement Grant (MSIG)	934,000	1,678,414
KZN Co-operative Governance and Traditional Affair	11,300,000	-
KZN Dept of Arts and Culture (Museums)	302,000	286,000
National Dept of Energy	1,635,686	6,100,049
KZN Dept of Arts and Culture(Libraries)	7,111,000	6,748,000
Expanded Public Works Programme (EPWP)	1,047,462	1,831,680
KZN Dept of Sports and Recreation	1,575,000	675,000
KZN Dept of Transport (Intermodal Facility)	10,000,000	10,000,000
Local Government SETA	241,550	-
	135,289,698	135,642,822
Capital grants		
Municipal Infrastructure Grant (MIG)	45,173,625	33,547,852
	45,173,625	33,547,852
	180,463,323	169,190,674
Equitable Share		
In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.		
All registered indigents receive a monthly subsidy towards the cost of basic services which is funded from this grant.		
Municipal Infrastructure Grant		
Balance unspent at beginning of year	6,625,148	-
Current-year receipts	47,892,000	40,173,000
Conditions met - transferred to revenue	(45,173,625)	(33,547,852)
	9,343,523	6,625,148
KZN Department of Housing		
Current-year receipts	-	15,777,679
Conditions met - transferred to revenue	-	(15,777,679)
	-	-
Finance Management Grant(FMG)		
Current-year receipts	1,600,000	1,550,000
Conditions met - transferred to revenue	(1,600,000)	(1,550,000)
	-	-
National Department of Energy		
Balance unspent at beginning of year	899,951	-
Current-year receipts	6,000,000	7,000,000
Conditions met - transferred to revenue	(1,635,686)	(6,100,049)
Balance unspent (Transferred to liabilities)	5,264,265	899,951

Hibiscus Coast Municipality

Financial Statements for the year ended 30 June 2015

Notes to the Financial Statements

Figures in Rand	2015	2014
26. Government grants and subsidies (continued)		
Municipal Systems Improvement Grant		
Balance unspent at beginning of year	-	788,414
Current-year receipts	934,000	890,000
Conditions met - transferred to revenue	(934,000)	(1,678,414)
	-	-
KZN Department of Arts and Culture(Museums)		
Current-year receipts	302,000	286,000
Conditions met - transferred to revenue	(302,000)	(286,000)
	-	-
KZN Department of Arts and Culture(Libraries)		
Current-year receipts	7,111,000	6,748,000
Conditions met - transferred to revenue	(7,111,000)	(6,748,000)
	-	-
Expanded Public Work Programme(EPWP)		
Balance unspent at beginning of year	-	831,680
Current-year receipts	1,084,000	1,000,000
Conditions met - transferred to revenue	(1,047,462)	(1,831,680)
Balance unspent (Transferred to liabilities)	36,538	-
KZN Dept of Sports and Recreation		
Current-year receipts	1,575,000	675,000
Conditions met - transferred to revenue	(1,575,000)	(675,000)
	-	-
KZN Dept of Transport (Intermodal Facility)		
Current-year receipts	10,000,000	10,000,000
Conditions met - transferred to revenue	(10,000,000)	(10,000,000)
	-	-
KZN COGTA (Urban Renewal and Afrika Bike Week)		
Current-year receipts	11,300,000	-
Conditions met - transferred to revenue	(11,300,000)	-
	-	-
Local government SETA		
Current-year receipts	241,550	-
Conditions met - transferred to revenue	(241,550)	-
	-	-

Hibiscus Coast Municipality

Financial Statements for the year ended 30 June 2015

Notes to the Financial Statements

Figures in Rand	2015	2014
27. Fines , penalties and forfeits		
Traffic fines	29,352,477	37,974,370
Other fines	520,509	34,997
	29,872,986	38,009,367
Reconciliation of conditional contributions		
Current-year receipts	-	15,739
Conditions met - transferred to revenue	-	(15,739)
	-	-
28. Other income		
Margate airport revenue	4,366,177	7,283,423
Admin and clearance certificates	855,369	631,138
Town planning related revenue	4,013,969	2,758,149
Miscellaneous revenue	2,804,734	3,718,008
Traffic and fire related	76,147	175,465
Bad debt recovered	37,811	49,057
KZN Housing subsidy	17,722,063	62,650
Electricity income	543,560	526,091
Discount received	409,602	311,909
Municipal awards excellence(COGTA)	-	1,005,482
	30,829,432	16,521,372

Hibiscus Coast Municipality

Financial Statements for the year ended 30 June 2015

Notes to the Financial Statements

Figures in Rand	2015	2014
29. General expenses		
Advertising	932,252	976,004
Afrika bike week	5,719,985	1,075,312
Assets write off (Ref Note 5 PPE)	-	12,805,370
Auditors remuneration	2,922,523	2,130,240
Back to school campaign	563,550	16,950
Bank charges	486,306	319,504
Budget roadshows	789,668	542,163
Chemicals	326,210	892,072
Clearing charges	546,464	583,098
Consulting and professional fees	4,344,163	3,072,627
EPWP	987,168	1,123,266
Electricity	8,566,638	8,227,754
Electricity projects	1,429,838	5,663,035
Free basic indigents	2,001,255	1,312,500
Hire	3,027,316	2,976,489
Housing expenditure	25,791,370	19,059,683
Indigent support	1,217,946	1,150,603
Insurance	1,638,604	1,424,892
Intermodal facility	6,879,998	7,425,221
Kwa Xolo Caves	2,046,094	1,910,104
Landfill site rehabilitation	3,706,809	3,047,400
Legal fees	1,333,287	2,683,842
Levies	2,277,792	4,007,750
Local economic development	695,640	449,168
Lums	477,187	165,995
MPCC	355,592	220,381
Margate airport expenses	3,873,871	3,907,527
Operating lease expenses	12,413,620	13,469,893
Other expenses	10,691,434	1,279,929
PMU Expenditure	1,926,461	2,445,672
Postage and courier	1,348,729	1,537,694
Poverty alleviation projects	980,848	154,907
Printing and stationery	1,645,112	1,476,342
Promotional materials	429,288	272,080
Radio Licences	1,357,897	1,289,782
Refuse bags	2,579,488	1,148,618
Refuse site disposal charges	4,500,795	3,846,198
Security monitoring charges	7,389,109	6,698,996
Software expenses	215,624	77,076
Special functions	1,290,210	1,207,055
Stores and materials	2,011,695	1,455,542
Subscriptions and membership fees	2,719,010	3,129,619
Summons	222,351	213,711
Telephone and fax	7,359,395	2,138,643
Third party charge	814,643	588,088
Time management system	720,861	302,685
Traffic fines expenditure -TMT	6,157,772	5,809,455
Training	3,083,825	2,823,669
Travel - local	3,044,830	2,505,033
Valuation fees : Property rates	2,163,698	1,346,351
Ward secretary allowances	1,555,920	1,462,950
Water	4,521,319	3,902,275
Youth empowerment	1,378,472	1,827,225
	165,459,932	149,578,438

The prior year figures of general expenses have been restated due to landfill site and audit fees being now part of general expenses on the face of the Statement of Financial Performance . Please refer to the note on Comparative information for more details.

Hibiscus Coast Municipality

Financial Statements for the year ended 30 June 2015

Notes to the Financial Statements

Figures in Rand	2015	2014
-----------------	------	------

30. Employee related costs

Basic	179,559,012	170,178,291
Performance bonus	1,028,432	-
Medical Aid , Pension fund and UIF	43,573,258	41,380,520
Defined contribution plans	11,234,000	19,012,000
Travel, motor car, accommodation, subsistence and other allowances	11,570,635	9,595,703
Overtime payments	13,339,083	10,185,792
13th Cheques	13,699,561	12,452,174
Housing benefits and allowances	1,221,386	932,472
Other employee related costs	14,332,240	16,077,357
	289,557,607	279,814,309

Municipal manager

Annual Remuneration	444,000	444,000
Car , Cellphone, Housing and Other Allowances	627,549	592,842
Performance Bonuses	120,259	-
Contributions to UIF, Medical and Pension Funds	84,726	52,647
	1,276,534	1,089,489

Chief finance officer

Annual Remuneration	360,220	444,000
Car, Cellphone, Housing and Other Allowances	279,093	492,449
Performance Bonuses	159,615	-
Contributions to UIF, Medical and Pension Funds	63,952	51,137
	862,880	987,586

The Chief Financial Officer resigned on 31 January 2015

Corporate services

Annual Remuneration	444,000	333,000
Car, Cellphone, Housing and Other Allowances	435,918	303,405
Performance Bonuses	62,348	-
Contributions to UIF, Medical and Pension Funds	119,849	63,931
	1,062,115	700,336

Human settlements and infrastructure

Annual Remuneration	225,000	385,797
Car , Cellphone, Housing and Other Allowances	396,295	466,019
Contributions to UIF, Medical and Pension Funds	40,804	95,595
	662,099	947,411

The Human Settlement and Infrastructure Head of Department was appointed on 01 October 2014

Community services

Annual Remuneration	420,000	645,151
Car , Cellphone ,Housing and Other Allowances	437,029	110,000
Performance Bonuses	73,829	-
Contributions to UIF, Medical and Pension Funds	118,295	76,789
	1,049,153	831,940

Hibiscus Coast Municipality

Financial Statements for the year ended 30 June 2015

Notes to the Financial Statements

Figures in Rand	2015	2014
30. Employee related costs (continued)		
Planning and Economic Development		
Annual Remuneration	356,880	598,727
Car, Cellphone, Housing and Other Allowances	499,214	165,000
Performance Bonuses	65,626	-
Contributions to UIF, Medical and Pension Funds	165,895	90,517
	1,087,615	854,244
Strategic planning and Governance		
Annual Remuneration	444,000	444,000
Car, Cellphone, Housing and other Allowances	467,312	414,782
Performance Bonuses	127,848	-
Contributions to UIF, Medical and Pension Funds	82,055	50,925
	1,121,215	909,707
31. Remuneration of councilors		
Mayor	783,893	724,669
Deputy Mayor	662,321	583,908
Speaker	678,360	583,908
Councilors- Full time	5,561,248	5,454,460
Councilors -Part time	11,685,152	10,489,843
	19,370,974	17,836,788
In-kind benefits		
The Mayor, Deputy Mayor, Speaker and Executive Committee Members are full-time. The Mayor, Deputy Mayor and Speaker are provided with an office and secretarial support at the cost of the Council.		
The Mayor has use of a Council owned vehicle for official duties.		
The Mayor has two full-time bodyguards.		
32. Debt impairment		
Debt impairment	3,357,927	1,926,289
33. Investment revenue		
Interest revenue		
Bank	3,783,405	5,503,599
34. Fair value adjustments		
Investment property (Fair value model)	(10,030,783)	1,201,146
35. Depreciation and amortisation		
Property, plant and equipment	57,887,169	55,145,317
Intangible assets	-	247,018
	57,887,169	55,392,335

Hibiscus Coast Municipality

Financial Statements for the year ended 30 June 2015

Notes to the Financial Statements

Figures in Rand	2015	2014
36. Impairment of assets		
Property, plant and equipment	437,173	214,017
Impairment exist predominantly due to property plant and equipment being physically damaged ,stolen or have become redundant.		
Traffic fines other receivables	14,319,962	-
The best estimate regarding the probability of collecting traffic fines issued have been determined taking into account general poor economic trends and past history.		
	14,757,135	214,017
37. Finance costs		
Non-current borrowings	5,262,125	5,909,704
38. Contracted services		
Security and waste management	7,589,308	4,956,677
Lifeguarding services	7,781,802	6,967,119
Verge cutting	7,826,800	7,341,554
Shark meshing fees	5,248,795	5,248,795
Other contracted services	192,840	2,906,544
	28,639,545	27,420,689
39. Bulk purchases		
Electricity	71,818,570	67,662,468
Bulk purchases are the cost commodities not generated by the municipality ,which the municipality distribute to the municipal area for resale to consumers. Bulk purchases is purchased from Eskom.		
40. Cash generated from operations		
(Deficit) surplus	(37,460,179)	10,404,152
Adjustments for:		
Depreciation and amortisation	57,887,169	55,392,335
Gain (loss) on discontinued operations	712,669	(1,264,106)
Write down(Reversal) of inventory	-	(70,151)
Fair value adjustments	10,030,783	(1,201,146)
Impairment losses	14,757,135	214,017
Debt impairment	3,357,927	1,926,289
Movements in retirement benefit assets and liabilities	10,258,000	9,023,000
Movements in provisions	3,706,809	3,047,400
Changes in working capital:		
Inventories	594,941	(391,882)
Receivables from exchange transactions	(14,319,962)	-
Consumer debtors	(4,577,650)	(6,383,537)
Other receivables from non-exchange transactions	(8,001,721)	(13,389,856)
Payables from exchange transactions	(4,321,296)	19,432,870
VAT Receivable	(11,043,553)	(1,066,584)
Unspent conditional grants and receipts	6,555,228	6,469,005
Othe liability	944,751	1,292,047
	29,081,051	83,433,853

Hibiscus Coast Municipality

Financial Statements for the year ended 30 June 2015

Notes to the Financial Statements

Figures in Rand	2015	2014
41. Commitments		
Authorised capital expenditure		
Already contracted for but not provided for		
• Property, plant and equipment	159,608,574	134,282,318
Not yet contracted for and authorised by Municipal manager		
• Property, plant and equipment	5,704,592	19,500,051
Total capital commitments		
Already contracted for but not provided for	159,608,574	134,282,318
Not yet contracted for and authorised by accounting officer	5,704,592	19,500,051
	165,313,166	153,782,369

This committed expenditure relates to property and will be financed by available bank facilities, retained surpluses, rights issue of shares, issue of debentures, mortgage facilities, existing cash resources, funds internally generated, etc.

42. Contingent liabilities

1. There is pending matter against the municipality regarding eviction proceedings against Margate Amusement Park. The appellant has served its notice to appeal on the respondents in the matter, our attorneys of record is now attending to prepare the record of appeal to be filed and served in order to receive the date of the appeal. The trial date is expected not later than 25 July 2015. The estimated claim amounts to R413 648 and the outcome of the matter is not known at this stage..

2. The judgemental has been granted in favour of the employee suing the municipality for R 80 000 plus interest 15.5% for an alleged defamation of character. An appeal has been lodged in respect of the matter and transcripts have been received and filed in court and served on plaintiff's attorneys. Litigation costs pending the finalisation of the matter. The outcome of the matter is not known at this stage. The legal costs is estimated at R83 600

3. The municipality is defending the land eviction claim amounting from Hume Housing. The appeal was heard on 02 February 2015 where judgment was reserved. The court found in favour of Hume Housing and matter was referred back to the court. The municipality has filed further appeal to the Supreme Court of Appeal. An application for special leave to appeal to the SCA has been filled. The estimated legal costs amounts to R55 000

4. The municipality is being sued by the security company objecting against the appointment of other security company. In an attempt to finalise the matter, the letter to the other side of attorneys have been addressed enquiring as to their intentions surrounding this matter. The legal cost amounts to R206 807.

5. There is a land dispute between the municipality and the 11 land claimants. The matter was due in court in May 2015. The matter was heard on the relevant date and the municipality absolved from instance. The estimated legal costs is R20 000. The outcome of the matter is not known at this stage.

6. The municipality is being sued regarding the storm water damage to the property of the claimant. The plaintiff is claiming an amount of R87 164.00 being damages suffered as a result of what is alleged herein. The municipality is defending the claim and the outcome of the matter is not known at this stage.

7. There has been an objection against the award of the tender for repairs and the outcome of the appeal was that the municipality was ordered to cancel the contract and re-advertise the tender. The appointed attorneys have entered a notice to oppose the interdict. The matter was due for court on 02 July 2014 but was removed from the roll. The outcome of the matter is not known at this stage.

8. There is a Housing dispute matter between the municipality and K Moodley. The municipality has corresponded with their attorneys who advised that they await the return of their file which has been submitted to their Durban based Costs Consultants for determination of costs. The status quo remains. The estimated legal costs is R20 000.

9. The municipality is being sued as a result of the motor vehicle accident involving the Law Enforcement Officers where vehicles collided. The matter was referred to insurers, we await further developments in the matter. The estimated claim amounts to R3 500 000 plus 15.5% interest.

Hibiscus Coast Municipality

Financial Statements for the year ended 30 June 2015

Notes to the Financial Statements

Figures in Rand	2015	2014
-----------------	------	------

42. Contingent liabilities (continued)

10. The municipality has received various claims estimated at R73 480.00 plus 15.5% interest regarding the damages to motor vehicles of the plaintiffs due to potholes. The municipality is defending the matter and a detailed report from the attorneys of the municipality is awaited. The outcome of the claim is not known at this stage.

11.. The municipality has received a summon from claimant for damages to the tune of R2 778 409.00 allegedly based on loss of income /rental at the instance of the termination of a contract for the provision of Lazy Shades Umbrellas. The municipality is defending the claim and the outcome of the matter is not known at this stage.

12.. The municipality is being sued regarding the eviction of tenants who built permanent structures on the admiralty reserve. The trial date is awaited. The municipality is defending the claim and the outcome of the matter is not known at this stage.

43. Related parties

Relationships

Accounting Officer and key management personnel
Councillors

Refer to employee related cost note
Refer to remuneration of councillors note

Related party transactions

Revenue of service charges paid by the related parties

Councillors	133,065	90,984
Senior management	24,862	39,168
	157,927	130,152

Outstanding amount of service charges from related parties

Councillors	31,463	30,167
Senior management	6,539	4,974
	38,002	35,141

Compensation to accounting officer and other key management

Accounting officer and key management personnel	7,121,611	9,320,713
Councillors	19,370,974	17,836,788
	26,492,585	27,157,501

Amount paid to municipal entities of the Ugu district

South Coast Development Agency	1,600,000	1,500,000
South Coast Tourism	1,600,000	1,500,000
	3,200,000	3,000,000

Senior management refers to the municipal manager and all other managers that directly report to the municipal manager.

Grant amounting to R1.6 million each was paid by the municipality to South Coast Development Agency and South Coast Tourism to ensure that these entities are able to run their operations during the year.

Hibiscus Coast Municipality

Financial Statements for the year ended 30 June 2015

Notes to the Financial Statements

Figures in Rand	2015	2014
-----------------	------	------

44. Prior period errors

During the year the municipality discovered that some items of investment property were duplicated in the fixed asset register and some do not belong to the municipality. The error resulted in the restatement of prior year balances of investment property and accumulated surplus. The restatement of the restatement are detailed below

Balance previously published as per AFS 30 June 2014	- 274,676,860
Investment property that were duplicated	- (8,195,381)
Investment property that do not belong to the municipality	- (20,450,000)
Balance now published per AFS as at 30 June 2014	- 246,031,479

During the year various errors were discovered in the Property plant and equipment where property plant and equipment were not properly accounted in the accounting records. This resulted in the amount of PPE to be restated in the previous year. The effect of the restatement is as follows:

Property plant and equipment

Balance previously published 30 June 2014	- 964,066,662
Infrastructure assets not properly accounted for	- 11,017,671
Community assets not belonging to the HCM	- (2,264,821)
Balance now published as per AFS as at 30 June 2014	- 972,819,512

The above errors resulted in the restatement of the accumulated surplus as follows:

Accumulated surplus

Balance previously published as per AFS as at 30 June 2014	- 898,141,884
Heritage assets - GRAP 103 (Change in accounting policy)	- 426,950
Investment property incorrectly accounted for	- (28,645,381)
Intangible assets not properly accounted for	- 11,017,671
Items of PPE not accounted for previously	- (2,264,821)
Balance now published per AFS as at 30 June 2014	- 878,676,303

Hibiscus Coast Municipality

Financial Statements for the year ended 30 June 2015

Notes to the Financial Statements

Figures in Rand	2015	2014
-----------------	------	------

45. Comparative figures

The prior year figures of receivables from Non-exchange ,exchange transactions general expenses have been reclassified in order to correctly comply with GRAP 1 requirements regarding the disclosure of property rates and general expenses.

The reclassification has no effect on the accumulated surplus.

Trade receivables	Receivables from non-exchange	Receivables from exchange	Total
Balance as per AFS 30 June 2014	132,816,249	42,986,511	175,802,760
Reclassification of property rates	(79,618,963)	79,618,963	-
	53,197,286	122,605,474	175,802,760
Balance now published as per AFS 30 June 2014	53,197,286	122,605,474	175,802,760

General expenses	Contribution to landfill site	Audit fees	General expenses	Total
Figures as per AFS 30 June 2014	-	-	144,651,945	144,651,945
Figures as per AFS 30 June 2014	3,047,000	2,130,240	-	5,177,240
	3,047,000	2,130,240	144,651,945	149,829,185
	(3,047,000)	(2,130,240)	5,177,240	-
Figures now published as per AFS 30 June 2014	-	-	149,829,185	149,829,185

46. Risk management

Financial risk management

The municipality's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The municipality's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance. The municipality uses derivative financial instruments to hedge certain risk exposures. Risk management is carried out by a central treasury department (entity treasury) under policies approved by the accounting officer. Municipality treasury identifies, evaluates and hedges financial risks in close co-operation with the municipality's operating units. The accounting officer provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

The Directorate :Treasury monitors and manages the financial risks relating to the operations through internal policies and procedures . These risks includes interest rate risk, credit risk and liquidity . Compliance with policies and procedures is reviewed by internal auditors on a continuous basis,and annually by external auditors. The municipality does not enter into or trade financial instruments for speculative purposes.

Internal audit,responsible for initiating a control framework and monitoring and responding to potential risk ,reports quarterly to the municipality's audit committee,an independent body that monitors the effectiveness of the internal audit function.

Hibiscus Coast Municipality

Financial Statements for the year ended 30 June 2015

Notes to the Financial Statements

Figures in Rand	2015	2014
-----------------	------	------

46. Risk management (continued)

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, municipality treasury maintains flexibility in funding by maintaining availability under committed credit lines.

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

The table below analyses the municipality's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

At June 30,2015	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
Trade payables	106,897,449	-	-	-	106,897,449
Other financial liabilities	6,373,764	6,904,096	22,848,900	10,957,496	47,084,256
	113,271,213	6,904,096	22,848,900	10,957,496	153,981,705

At June 30,2014	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
Trade payables	116,557,432	-	-	-	116,557,432
Other financial liabilities	6,373,764	6,904,096	22,848,900	10,957,496	47,084,256
	122,931,196	6,904,096	22,848,900	10,957,496	163,641,688

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

Financial assets exposed to credit risk at year end were as follows:

Financial instrument	2015	2014
Receivables from Non-exchange transactions	71,125,479	53,197,286
Receivables from exchange transactions	123,825,196	122,605,473
Long-term debtors	9,135,596	10,034,040
Cash , bank and cash equivalents	91,828,756	150,715,422

47. Going concern assessment

The municipality will merge with Izinqoleni Municipality after the 2016 local government elections as per Municipal Demarcation Board determination of the municipal boundaries . The management is of the opinion that the municipality will continue to operate as a going concern based on the following .

Hibiscus Coast Municipality

Financial Statements for the year ended 30 June 2015

Notes to the Financial Statements

Figures in Rand	2015	2014
-----------------	------	------

47. Going concern assessment (continued)

(i) The Council adopted the 2015/16 - 2018/19 Budget . This three year Medium Term Revenue and Expenditure Framework (MTREF) to support the ongoing delivery of the municipal services to residents reflected that the Budget was cash backed over the three year period.

(ii) The municipality's budget is subjected to a very rigorous independent assessment process to assess its cash -backing status before it is ultimately approved by Council.

(iii) Strict daily cash management processes are embedded in the municipality's operations to manage and monitor all actual cash inflows and cash outflows in terms of the cash flow forecast supporting the Budget. The cash management processes is complemented by monthly and quarterly reporting , highlighting the actual cash position , including the associated risks and remedial actions to be instituted.

(iv) As the municipality has the power to levy rates, tariffs and charges , this will results in an ongoing inflow of revenue to support the ongoing delivery of municipal services . Certain key financial ratios , such as liquidity , cost coverage , debtor's collection and creditor's payment terms are closely monitored and necessary corrective actions instituted.

Taking the aforementioned into account , management has prepared the Annual Financial Statements on the Going Concern Basis.

48. Events after the reporting date

No material facts and circumstances have occurred between the accounting date and the date of this report that would have an impact on the financial statements.

49. Unauthorised expenditure

Unauthorised expenditure	27,946,847	18,112,545
Less : Condoned during the year	-	(18,112,545)
	27,946,847	-

There was no unauthorised expenditure to be disclosed in the year under review.

- Fair value adjustments R10 030 783
- Bulk purchases R 2 330 002.
- Bad debts R828 927
- Impairment Expense R14 757 135

50. Fruitless and wasteful expenditure

Opening balance	-	62,820
Fruitless and Wasteful Expenditure -current year	-	99,260
Less: Amount condoned by council	-	(162,080)
	-	-

Hibiscus Coast Municipality

Financial Statements for the year ended 30 June 2015

Notes to the Financial Statements

Figures in Rand	2015	2014
51. Irregular expenditure		
Opening balance	1,229,757	8,149,593
Add: Irregular Expenditure - current year	964,655	2,720,578
Less: Amounts condoned	(2,194,412)	-
Less: Amounts recoverable (not condoned)	-	(9,640,414)
	-	1,229,757

Details of irregular expenditure – current year

	Disciplinary steps taken/criminal proceedings	
Three quotations were not obtained for the services amounting to R89 854 resulting in contravention of the SCM processes.	A detailed report will be forwarded to Council to condone the irregular expenditure	89,854
The Supply Chain Processes (SCM) were not followed for the procurement amounting to R811 042.	A detailed report will be forwarded to Council to condone the irregular expenditure	811,042
The SCM processes were not followed after no responses were received from suppliers amounting to R63 759.	A detailed report will be forwarded to Council to condone the irregular expenditure	63,759
		964,655

52. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Amount paid - current year	2,660,446	2,903,000
----------------------------	-----------	-----------

Electricity losses

Current year	6,295,019	7,196,581
--------------	-----------	-----------

Audit fees

Amount paid - current year	2,922,523	2,072,654
----------------------------	-----------	-----------

PAYE and UIF

Amount paid - current year	32,434,432	29,545,432
----------------------------	------------	------------

Pension and Medical Aid Deductions

Amount paid - current year	4,164,046	39,848,743
----------------------------	-----------	------------

VAT

VAT receivable	18,122,867	7,079,314
----------------	------------	-----------

VAT output payables and VAT input receivables are shown in note .

All VAT returns have been submitted by the due date throughout the year.

Hibiscus Coast Municipality

Financial Statements for the year ended 30 June 2015

Notes to the Financial Statements

Figures in Rand	2015	2014
-----------------	------	------

52. Additional disclosure in terms of Municipal Finance Management Act (continued)

Councillors' arrear consumer accounts

No councillors had arrear accounts outstanding for more than 90 days at 30 June 2015:

53. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the accounting officer and includes a note to the financial statements. The deviations as listed hereunder have since been condoned by council.

1. Services amounting to R7 376 740 . This was impractical to follow SCM processes. The reasons for these deviations were documented and reported to the council who considered them and subsequently approved the deviation from the normal supply chain management regulations.
2. Emergencies amounting to R1 919 576 . The reasons for these deviations were documented and reported to the council who considered them and subsequently approved the deviation from the normal supply chain management regulations.
3. Sole supplier amounting to R228 022 .

54. Budget differences

Material differences between budget and actual amounts

It is general practice to deem that a 10% deviation on operational revenue and expenditure versus the final budget as material.

1. Service Charges (11% Under) . The reason for under collection is the refuse charges not collected according to the budget.
2. Licences and Permits (38.56% Under) . Revenue anticipated not fully collected.
3. Interest on investments (54.78% Under) . There has been reduction in the investments for the municipality
4. Fines (69.50% Under) . The reason is the IGRAP 1 that was implemented in 2014 .
5. Rental of facilities (23.42% under) . Anticipated rental revenue not collected and transfer of certain properties..
6. Impairment loss - Fines (100%) . Due to implementation of IGRAP 1.
7. General expenses (47.2%) . This is due to the adjustment budget done to cater for the unauthorised expenditure.

Hibiscus Coast Municipality
Appendix A

Schedule of external loans as at 30 June 2015

Loan Number	Redeemable	Balance at 30 June 2014	Received during the period	Redeemed written off during the period	Balance at 30 June 2015	Carrying Value of Property, Plant & Equip Rand	Other Costs in accordance with the MFMA Rand
		Rand	Rand	Rand	Rand		
Annuity loans							
DBSA	61000011	30/09/2012	990,776	-	990,776	-	-
DBSA	61001233	30/09/2012	1,897,108	-	242,727	1,654,381	-
DBSA	61002326	30/09/2017	119,060	-	42,622	76,438	-
DBSA	61002330	31/12/2012	20,337	-	20,337	-	-
DBSA	61002332	31/12/2012	80,294	-	80,294	-	-
DBSA	61002409	30/06/2015	482,967	-	482,967	-	-
DBSA	61002140	30/06/2015	48,506	-	11,121	37,385	-
DBSA	61002518	30/06/2015	316,531	-	76,205	240,326	-
DBSA	61002519	31/12/2012	307,616	-	307,616	-	-
DBSA	61002559	31/12/2011	290,526	-	134,531	155,995	-
DBSA	61002560	31/12/2012	9,013	-	9,013	-	-
DBSA	61002563	30/06/2012	49,516	-	49,516	-	-
DBSA	61002905	30/06/2016	318,642	-	55,299	263,343	-
DBSA	61003180	31/12/2019	2,276,691	-	289,706	1,986,985	-
DBSA	61003298	31/12/2021	2,350,854	-	240,559	2,110,295	-
Planet Finance	7036153002	15/12/2013	49,758	-	20,588	29,170	-
INCA	HHIBI-00	31/12/2012	945,033	-	945,033	-	-
Standard Bank	252495690	07/10/2020	50,139,748	-	3,730,473	46,409,275	-
		60,692,976	-	7,729,383	52,963,593	-	-
Total external loans		60,692,976	-	7,729,383	52,963,593	-	-

**Hibiscus Coast Municipality
Hibiscus Coast Municipality
Appendix B**

Analysis of property, plant and equipment as at 30 June 2015	
Cost/Revaluation	Accumulated depreciation

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Land and buildings														
Land and buildings	118,000,551	56,150	(1,012,000)	(23,069,211)	-	-	93,975,490	-	-	-	(5,005,110)	-	(5,005,110)	88,970,380
	118,000,551	56,150	(1,012,000)	(23,069,211)	-	-	93,975,490	-	-	-	(5,005,110)	-	(5,005,110)	88,970,380
Infrastructure														
Infrastructure	293,683,453	31,417,908	-	-	-	-	325,101,361	-	-	-	(29,739,688)	-	(29,739,688)	295,361,673
	293,683,453	31,417,908	-	-	-	-	325,101,361	-	-	-	(29,739,688)	-	(29,739,688)	295,361,673
Community Assets														
Community Assets	96,170,748	35,029,138	-	-	-	-	131,199,886	-	-	-	(5,115,397)	-	(5,115,397)	126,084,489
	96,170,748	35,029,138	-	-	-	-	131,199,886	-	-	-	(5,115,397)	-	(5,115,397)	126,084,489

Hibiscus Coast Municipality
Hibiscus Coast Municipality
Appendix B

Analysis of property, plant and equipment as at 30 June 2015
Cost/Revaluation **Accumulated depreciation**

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Heritage assets														
Other	1,051,670	77,109	-	-	-	-	1,128,779	27,491	-	-	-	-	27,491	1,128,779
	1,051,670	77,109	-	-	-	-	1,128,779	27,491	-	-	-	-	27,491	1,128,779
Specialised vehicles														
Refuse	2,538,587	-	-	-	-	-	2,538,587	5,396,146	-	604,615	-	-	6,000,761	1,933,972
	2,538,587	-	-	-	-	-	2,538,587	5,396,146	-	604,615	-	-	6,000,761	1,933,972
Other assets														
Plant & equipment	27,700,590	8,643,303	(3,014,312)	-	-	-	33,329,581	-	-	-	(7,414,950)	(316,655)	(7,731,605)	25,597,976
	27,700,590	8,643,303	(3,014,312)	-	-	-	33,329,581	-	-	-	(7,414,950)	(316,655)	(7,731,605)	25,597,976

**Hibiscus Coast Municipality
Hibiscus Coast Municipality
Appendix B**

Analysis of property, plant and equipment as at 30 June 2015	
Cost/Revaluation	Accumulated depreciation

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Total property plant and equipment														
Land and buildings	118,000,551	56,150	(1,012,000)	(23,069,211)	-	-	93,975,490	-	-	-	(5,005,110)	-	(5,005,110)	88,970,380
Infrastructure	293,683,453	31,417,908	-	-	-	-	325,101,361	-	-	-	(29,739,688)	-	(29,739,688)	295,361,673
Community Assets	96,170,748	35,029,138	-	-	-	-	131,199,886	-	-	-	(5,115,397)	-	(5,115,397)	126,084,489
Heritage assets	1,051,670	77,109	-	-	-	-	1,128,779	27,491	-	-	-	-	27,491	1,128,779
Specialised vehicles	2,538,587	-	-	-	-	-	2,538,587	5,396,146	-	604,615	-	-	6,000,761	1,933,972
Other assets	27,700,590	8,643,303	(3,014,312)	-	-	-	33,329,581	-	-	-	(7,414,950)	(316,655)	(7,731,605)	25,597,976
	539,145,599	75,223,608	(4,026,312)	(23,069,211)	-	-	587,273,684	5,423,637	-	604,615	(47,275,145)	(316,655)	(41,563,548)	539,077,269
Agricultural/Biological assets														
Intangible assets														
Other	679,777	69,943	-	-	-	-	749,720	-	-	-	(282,186)	-	(282,186)	467,534
	679,777	69,943	-	-	-	-	749,720	-	-	-	(282,186)	-	(282,186)	467,534
Investment properties														
Investment property	260,856,000	-	(1,290,000)	23,069,211	-	27,470,211	310,105,422	-	-	-	-	-	-	310,105,422
	260,856,000	-	(1,290,000)	23,069,211	-	27,470,211	310,105,422	-	-	-	-	-	-	310,105,422
Total														
Land and buildings	118,000,551	56,150	(1,012,000)	(23,069,211)	-	-	93,975,490	-	-	-	(5,005,110)	-	(5,005,110)	88,970,380
Infrastructure	293,683,453	31,417,908	-	-	-	-	325,101,361	-	-	-	(29,739,688)	-	(29,739,688)	295,361,673
Community Assets	96,170,748	35,029,138	-	-	-	-	131,199,886	-	-	-	(5,115,397)	-	(5,115,397)	126,084,489
Heritage assets	1,051,670	77,109	-	-	-	-	1,128,779	27,491	-	-	-	-	27,491	1,128,779
Specialised vehicles	2,538,587	-	-	-	-	-	2,538,587	5,396,146	-	604,615	-	-	6,000,761	1,933,972
Other assets	27,700,590	8,643,303	(3,014,312)	-	-	-	33,329,581	-	-	-	(7,414,950)	(316,655)	(7,731,605)	25,597,976
Intangible assets	679,777	69,943	-	-	-	-	749,720	-	-	-	(282,186)	-	(282,186)	467,534
Investment properties	260,856,000	-	(1,290,000)	23,069,211	-	27,470,211	310,105,422	-	-	-	-	-	-	310,105,422
	800,681,376	75,293,551	(5,316,312)	-	-	27,470,211	898,128,826	5,423,637	-	604,615	(47,557,331)	(316,655)	(41,845,734)	849,650,225

Hibiscus Coast Municipality
Hibiscus Coast Municipality
Appendix B

Analysis of property, plant and equipment as at 30 June 2011

Cost/Revaluation						Accumulated depreciation							
Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand

Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand

Hibiscus Coast Municipality
Hibiscus Coast Municipality
Appendix B

Analysis of property, plant and equipment as at 30 June 2011

Cost/Revaluation	Accumulated depreciation
-------------------------	---------------------------------

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Other assets	24,800	-	2,575,095	-	-	-	2,599,895	-	2,575,095	-	-	-	2,575,095	5,174,990

**Hibiscus Coast Municipality
Hibiscus Coast Municipality
Appendix B**

Analysis of property, plant and equipment as at 30 June 2011	
Cost/Revaluation	Accumulated depreciation

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Total property plant and equipment	24,800	-	2,575,095	-	-	-	2,599,895	-	2,575,095	-	-	-	2,575,095	5,174,990
Investment properties														
Total														
Other assets	24,800	-	2,575,095	-	-	-	2,599,895	-	2,575,095	-	-	-	2,575,095	5,174,990
	24,800	-	2,575,095	-	-	-	2,599,895	-	2,575,095	-	-	-	2,575,095	5,174,990

Hibiscus Coast Municipality Appendix C

Segmental analysis of property, plant and equipment as at 30 June 2015	
Cost/Revaluation	Accumulated Depreciation
<p>Land and buildings</p> <p>Cost</p> <p>Revaluation</p>	<p>Accumulated Depreciation</p>

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment deficit Rand	Closing Balance Rand	Carrying value Rand
Municipality														
Balance sheet	221,314,259	23,640,540	-	-	-	-	244,954,799	-	-	-	(22,304,766)	-	(22,304,766)	222,650,033
Finance & Admin/Finance	73,420,863	7,854,477	-	-	-	-	81,275,340	-	-	-	(7,434,922)	-	(7,434,922)	73,840,418
Planning and Development/Economic Development/Plan	19,234,149	7,005,827	-	-	-	-	26,239,976	-	-	-	(1,023,079)	-	(1,023,079)	25,216,897
Human Settlements	76,936,598	28,023,309	-	-	-	-	104,959,907	-	-	-	(4,092,318)	-	(4,092,318)	100,867,589
Comm. & Social/Libraries and archives	118,000,560	56,150	(1,012,000)	(23,069,211)	-	-	93,975,499	-	-	-	(5,005,110)	-	(5,005,110)	88,970,389
Other	30,239,178	8,643,303	(3,014,312)	-	-	-	35,868,169	-	-	-	(8,019,574)	(316,655)	(8,336,229)	27,531,940
Environmental Protection/Pollution Control	-	-	(1,405,846)	-	-	-	(1,405,846)	(3)	(1,405,846)	-	-	-	(1,405,849)	(2,811,695)
	539,145,607	75,223,606	(5,432,158)	(23,069,211)	-	-	585,867,844	(3)	(1,405,846)	-	(47,879,769)	(316,655)	(49,602,273)	536,265,571
Municipal Owned Entities														
Total														
Municipality	539,145,607	75,223,606	(5,432,158)	(23,069,211)	-	-	585,867,844	(3)	(1,405,846)	-	(47,879,769)	(316,655)	(49,602,273)	536,265,571
	539,145,607	75,223,606	(5,432,158)	(23,069,211)	-	-	585,867,844	(3)	(1,405,846)	-	(47,879,769)	(316,655)	(49,602,273)	536,265,571

Hibiscus Coast Municipality Appendix D

Segmental Statement of Financial Performance for the year ended	
Prior Year	Current Year

[illegible]

Hibiscus Coast Municipality
Appendix D

Segmental Statement of Financial Performance for the year ended
Prior Year **Current Year**

Actual Income Rand	Actual Expenditure Rand	Surplus /(Deficit) Rand		Actual Income Rand	Actual Expenditure Rand	Surplus /(Deficit) Rand
			Rand			
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
588,800,145	570,426,678	18,373,467	Total	556,825,659	566,870,662	(10,045,003)

Hibiscus Coast Municipality
Appendix E(1)

Yearly

	Forecast # 1 2015 Act. Bal.	Forecast # 1 2015 Adjusted budget Rand	Variance Rand	Var	Explanation of Significant Variances greater than 10% versus Budget
Revenue					
Service charges	121,991,710	132,887,119	(10,895,409)	(8.2)	
Rental of facilities and equipment	1,777,873	2,711,199	(933,326)	(34.4)	Insignificant increase in rental of facilities
Interest received	8,986,058	8,558,374	427,684	5.0	
Agency services	4,050,965	3,300,000	750,965	22.8	Under budgeted for
Licences and permits	5,964,970	5,788,403	176,567	3.1	
Property rates	264,332,125	301,714,835	(37,382,710)	(12.4)	Budget includes rebates
Other income	22,041,176	27,801,060	(5,759,884)	(20.7)	Clinic subsidies received
Interest received - investment	6,718,379	5,249,977	1,468,402	28.0	More investment made than anticipated
Grants	126,453,592	98,385,275	28,068,317	28.5	
	<u>562,316,848</u>	<u>586,396,242</u>	<u>(24,079,394)</u>	<u>(4.1)</u>	
Expenses					
Personnel	(249,062,804)	(248,353,250)	(709,554)	0.3	
Remuneration of councillors	(16,417,122)	(16,417,122)	-	-	
Depreciation	-	(8,073,367)	8,073,367	(100.0)	
Finance costs	(4,540,707)	(7,855,104)	3,314,397	(42.2)	Standard Bank interest not adequately budgeted for
Bad debts written off	(668,744)	(4,460,957)	3,792,213	(85.0)	More debt written off
Audit fees	(26,329)	(33,333)	7,004	(21.0)	
Repairs and maintenance - General	(37,200,805)	(34,411,000)	(2,789,805)	8.1	
Bulk purchases	(63,982,441)	(57,863,000)	(6,119,441)	10.6	
Contracted Services	(24,982,258)	(24,454,070)	(528,188)	2.2	
Transfers and Subsidies	(6,065,509)	(5,938,000)	(127,509)	2.1	
General Expenses	(102,717,256)	(211,718,941)	109,001,685	(51.5)	Housing and electricity expenditure not budgeted for
	<u>(505,663,975)</u>	<u>(619,578,144)</u>	<u>113,914,169</u>	<u>(18.4)</u>	
Other revenue and costs					
Net surplus/ (deficit) for the year	<u>56,652,873</u>	<u>(33,181,902)</u>	<u>89,834,775</u>	<u>(270.7)</u>	

Hibiscus Coast Municipality Appendix E(2)

Budget Analysis of Capital Expenditure as at 30 June 2010

[illegible]